WHY HAS KELLOGG BEEN AWARDED 17 AMMONIA PLANTS IN 14 MONTHS?

simple economics

There must be a major overriding reason when any one organisation is awarded contracts for the engineering and construction of 17 ammonia plants within 14 months. Especially when these projects represent more than half of worldwide capacity for such plants of 600 tons per day and larger capacities. And there is. The basic reason is simple economics.

Kellogg—engineered ammonia plants incorporate several new design concepts carefully integrated to provide substantial reductions in initial investment, operating and maintenance costs. These plants, which make optimum use of equipment and machinery of standardised sizes and proven design, will be the first to produce up of 1,000 tons per day of ammonia, using:—

***a single train of process equipment**

***centrifugal compressors in all services**

***high pressure reforming in combination with other process conditions selected to achieve optimum operation and efficient use of equipment.**

***integration of recovery of energy from the process with production of high pressure steam for drives, process and heating requirements.**

The successful record we have attained at Kellogg is due to an in-depth approach to overall economics in project design, procurement, and construction.

New concepts in furnace, exchanger, piping, plant layout, and steam generation design as well as new application of machinery for ammonia production illustrate this philosophy.

Whether your next project involves processing facilities in the petrochemical, chemical or petroleum industries, we would welcome a discussion of your requirements.

KELLOGG

KELLOGG INTERNATIONAL CORPORATION, 69 CHILTERN STREET, LONDON W.1. Subsidiary of Pullman Incorporated ■ THE CANADIAN KELLOGG COMPANY, LIMITED, TORONTO ■ THE MW KELLOGG COMPANY, NEW YORK ■ SOCIETE KELLOGG, PARIS ■ DEUTSCH KELLOGG INDUSTRIEBAU G.m.b. H., DUSSELDORF ■ COMPANIA KELLOGG ESPANOLA, MADRID ■ KELLOGG OVERSEAS CORPORATION, SYDNEY ■ KELLOGG PAN AMERICAN CORPORATION, BUENOS AIRES ■ KELLOGG OVERSEAS SERVICES CORPORATION, BOGOTA

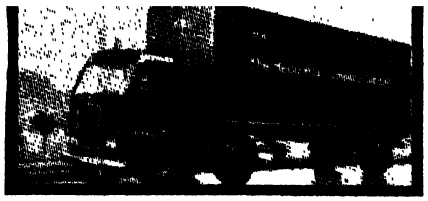
THE ECONOMIST □ THIS WEEK

MR WILSON STARTS AGAIN

The Prime Minister believes he can cling to office with a majority of three until at least March 1st. This will prolong the uncertainty of British politics damagingly far ahead. It would also spell real trouble, for the first time, with his own left wing **page 9.**

AN EFFICIENT CABINET

The nation's top committee is too large and too clumsy. It needs cutting down to size **page 10.**



PRICES: THE LONG HAUL

The National Board for Prices and Incomes has made a good start; but its advice needs following up with more consistency than Mr Brown seems able to muster **page 12.**

THE BLACK SIDE OF PARIS

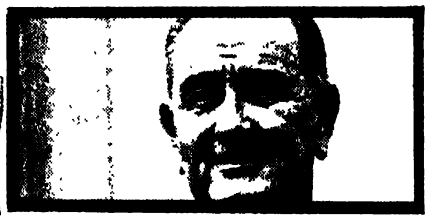
Unashamedly, the French economy runs on the manual work of 2½ million foreigners: in the years ahead these are likely to be coloured foreigners. A report on the situation now, and on the conditions in which African workers in France live is on **page 19**

AFTER THE GENERAL

M. Defferre's failure to form a Lib-Lab movement in France has proved once again how difficult it will be to change the old French party system Yet the discredit into which the system has fallen weakens the restraints on abuse of power. As long as it proves impossible to reform, the danger of authoritarian rule after General de Gaulle will remain **page 13.**

TWO MILLION AMERICANS?

The war in Vietnam is going to get worse Bombings in Saigon and Vietcong attacks on isolated posts not covered by American airpower must be expected during the rainy season. But neither North Vietnam nor China can feel happy about the American build-up in Vietnam. The North Vietnamese may try the gamble of sending their regular army south The alternative would be a more flexible policy in Hanoi, but this is unlikely until the monsoon is over **page 11.**

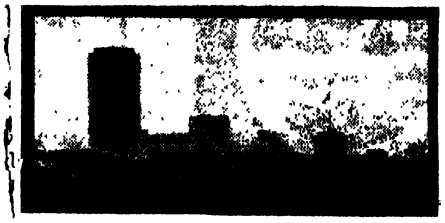


VIETNAM'S DANGEROUS PRIORITY

In Washington there is increasing concern at the danger of postponing decisions on long-term aspects of foreign policy, particularly the problem of preventing the proliferation of nuclear weapons, until the immediate question of Vietnam is settled. But the Administration sees no hope of reaching agreement with the Soviet Union on any subject until a settlement has been negotiated in Vietnam **page 29.**

GERMANY HUGS ITS DEFICIT

While the German economy goes on booming, the authorities in Bonn and Frankfurt are nursing a cautious hope that Germany's tendency to chronic balance of payments surplus has at last disappeared **page 53.**



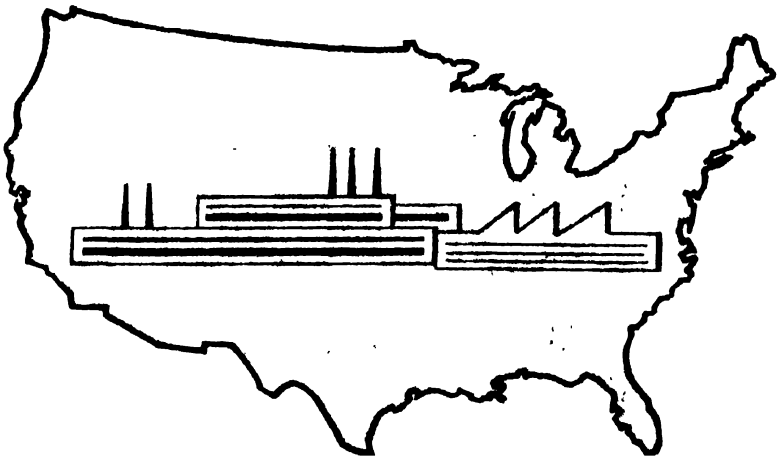
VICKERS UNDEFENDED

Britain's largest private armaments manufacturer, at bay in its green glass skyscraper, has had a decade of despond—trying to find itself a useful role in a world that wants engineering of varieties it has not yet learned to supply **page 55.**

RHODESIA

The prime minister of Rhodesia, Mr Ian Smith, is building up his fortress; he is unlikely to rebel against Britain until he has completed this task Meanwhile, across the Zambezi, Mr Kenneth Kaunda, Zambia's president, has become painfully aware how vulnerable his own country is **page 24.**

● ANOTHER REASON WHY INDUSTRY SHIPS VIA EMERY AIR FREIGHT



In the U.S.A. 50% of the industrial areas are located outside major airport cities.

Emery Air Freight carries your shipments to or from the major airport cities *and* the factories outside these centres ... 100% air coverage of the U.S.A. One carrier, one responsibility ... all the way!

Service also available from the UNITED KINGDOM to AUSTRALASIA, CANADA, SOUTH AFRICA, JAPAN, HONG KONG, and the PHILIPPINES

London Airport (U.K. Headquarters): Telex: No. 25211 Tel: SKYport 1833
London (West End Office): Tel: Langham 9936
Manchester Airport: Tel: Mercury 5262, ext. 236 Manchester City: Tel: Trafford Park 2241
Birmingham: Tel: Central 3417 (B'ham) Scotland, Prestwick Airport: Tel: Prestwick 78006

EMERY AIR FREIGHT

Travel while you sleep

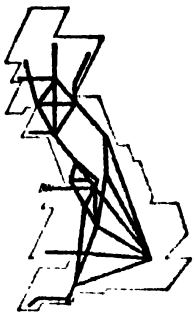
Turn that long journey into a good night's rest—go by sleeper from centre to centre. No crawling through endless suburbs, no glare of headlights. No hotels to book, no meals to buy. And the whole day ahead to do your work.

Your modern sleeper is a bedroom on wheels

Interior-sprung mattress ■ Crisp, fresh linen ■ Lashings of hot water ■ Mirrors ■ Towels ■ Morning tea and biscuits ■ Service only a bell-push away

FROM 20/- 2ND CLASS UP TO 40/- 1ST CLASS

Network of over 100 Sleeper Services
Sleepers run the length and breadth of Britain, linking business centre to business centre and serving many distant holiday areas. Get the FREE Sleeper Services Colour Folder TODAY from any British Rail Station, Town Office or Appointed Travel Agent.



sleep as you go-overnight **British Rail**

1ow safe is it?

ischance. That's why you insure all your normal sks in private and business life. Why not go one etter and take out these insurances through the ommercial Union Assurance Group? They cover l insurances. They're big, they're reliable and they're iendly.

OMMERCIAL UNION ASSURANCE GROUP

HEAD OFFICE: 24 CORNHILL, LONDON, E.C.3

Numerous branches throughout the country—consult your local telephone directory

The Economist

JULY 3, 1965

Mr Wilson Starts Again 9
An Efficient Cabinet 10
Two Million Americans 11
Prices: The Long Haul 12
The Samson of Brussels
After the General

COMMENTARY 14
Holland; Parliament; Commonwealth; Juvenile Delinquency; Russia; The Supply of Doctors; Prescriptions.

THE WORLD
INTERNATIONAL REPORT
The black side of Paris 19
Germany and Britain; Rann of Kutch; Israel; Central Africa: Smith's strengths;—and Kaunda's weaknesses; Germany; Afro-Asian Conference—1; Afro-Asian Conference 2; Egypt
AMERICAN SURVEY
Vietnam's Dangerous Priority 29
Boom in Tax Cuts; Housing's Close Call; Presidential Protection; Ships on Strike; On the Bench: 1. *One for Mississippi*; 2. *Oh, Oklahoma!*; Disputed Patents; Shorter Notes.

BRITAIN
Unfair on Housing? 39
Brass Band Brothers; Still Inflating; Selecting Administrators

BOOKS
Towards Afrikaner Supremacy 42
LETTERS 5

BUSINESS BRIEF:
Strain In Scandinavia 49

BUSINESS
Germany Hugs its Deficit 53
Vickers Undefended 55
BRITAIN 57
Energy Policy; Balance of Payments; American Orders; RPM; Cement Prices; Shipbuilding Banks; Big Jets; Ore to the Steelworks.
INTERNATIONAL 62
International Liquidity; Transport in EEC; French Economy; French Housing; Mannesmann Scandal; Euratom; Sugar; Oil and its Hosts; Spain; Transport and Communications; Swiss Banking; Oil in Switzerland.
INVESTMENT 68
Stock Market; Wall Street; Associated Fire Alarms; Reed Paper; Stock Exchange Chairman; Metal Box; American Property; Exchange Telegraph; In Brief.

Stock Prices and Yields 89

Annual Postal Subscription by ordinary mail UK £6; overseas £6 10s.
VOLUME CCXVI · NUMBER 6358

Mr Wilson Starts Again

So Mr Wilson wants to start again. In his shoes who wouldn't? He says there will be no election this year. Of course there won't, as long as Labour has no hope of winning it. What it means is that barring a gift, or a death-blow, from the gods Mr Wilson hopes to continue in office with a majority of three until at least as late as March 1st. In these balmy days, with the Commonwealth prime ministers and the Finance Bill both almost out of the way, he may even think he can do it. Back to the drawing board. In No. 10 now the prospect of a new Cabinet, new measures, new opportunities to make the Wilson impact on British society must be alluring. He will go on to the last shot in his locker.

But is it alluring to anyone else? Mr Wilson's Glasgow speech does not end the uncertainty of British affairs, it perpetuates it damagingly far ahead. If the Labour MP for one marginal seat were to fall under a bus tomorrow there would have to be a general election this year; and very possibly it would mean a change of government. Everyone knows this. So the country will go on living into 1966 in a state of pre-electoral jumpiness. The behaviour of the political parties will go on being governed by the most trifling pre-electoral calculations. Even more, the reaction to all this of those foreigners who hold the British economy in the palm of their hands can only be to sharpen still further their acute self-preservatory instinct.

What Mr Wilson has done is to inform everyone that it will be he, his ministers and his advisers who will be responsible for dealing with the heavy attack on sterling that is due by the end of September. It may even be much the same ministerial team as dealt with the attack of last November. On their performance then, on their political stability since, on their personal attitudes and capabilities in office, a number of shrewd foreign decisions will be taken; what is more, they will be taken by shrewder minds than those that make up the British electorate. Mr Wilson is now gambling with very much more than the immediate future of the Labour Government.

Since the beginning of the Whitsun recess, when his tired and rattled Treasury ministers first sensed themselves over the parliamentary hump, a second start by the Labour Government has become slowly more possible. Now Mr Brown himself has deservedly been given a new economic opportunity by Mr Aubrey Jones's board Mr Wilson's strategy entails, fairly soon, a Cabinet reshuffle, dropping the valetudinarians and flops, promoting some young heads and shifting the bores to something safe but more consuming of their own time. It entails, next October, a Queen's Speech that is designedly, but not too noticeably, palatable to the Liberals. Who knows what something mildly tempting on housing and land prices might do to the morale of the new middle class? Who knows what something on law reform, at long last, might do to quicken the pulse of Lord Gardiner and of Mr Grimond as well?

And need there really be a return to steel? There are other causes that conceivably could placate the left wing for six months. Mr Silverman is groaning for government time for his hanging bill. Much less justifiably, Mr Hamilton wants to cut the delaying power of the Lords to one month. Mr Wilson may now even regret his promise not to try to amend the Lords without getting a mandate first; for the Tory leadership in the Lords is resolutely bending over backwards not to give him any excuse to change his mind.

But now, as the months stretch out to Mr Wilson's election day, he will have

his left wing increasingly on his mind, if not on his conscience. The left will not give up steel that easily. It will not give up Vietnam at all. Two years ago at the last Labour party conference, at Scarborough, Mr Wilson allowed no discussion whatever of foreign policy or defence; if he gets away with that again the left wing may as well fall over and play dead for ever. Not even Mr Wilson expects that. The instruction to the Foreign Secretary not to stand for the party executive this year is an admission of the Prime Minister's fear of the left wing's wish to revenge itself publicly on the Government's foreign policy. This year's conference could be very difficult indeed for the sane half of the Government.

Against this Mr Wilson may believe that he has now given the Conservatives a further opportunity to tear themselves to pieces over Sir Alec Douglas-Home's leadership. His Glasgow speech was timed to follow hard on the heels of what appeared to be Conservative toleration of Sir Alec's preference to carry on. There is no doubt that so long as Sir Alec stays Mr Wilson can expect to emerge from any election in better nick than he would against another Tory opponent. If Sir Alec does not retire before the summer recess it will be because he believes that, even with his help, Mr Heath would not get a decisive majority in a leadership ballot.

This prolonged uncertainty in the alternative government is another weakness in British politics. If Sir Alec wants, or thinks himself condemned to, another start in Downing Street he should make it abundantly clear how effective power would be divided under his chairmanship. If by any chance a Tory government were to be returned in circumstances resembling those of 1951, the advance identification of a Butler-type figure could be a decisive influence on electoral opinion at home and, even more important, on economic judgment abroad.

An Efficient Cabinet

The nation's top committee is too large and too clumsy. It needs cutting down to size

THERE are 23 people in Mr Wilson's Cabinet. This is too many. When Sir Alec Douglas-Home announced that his Cabinet would have 23 people Mr Wilson said that it "to some extent reflects the relative weakness of the prime minister that he has to make so many deals with so many people." The same to Mr Wilson, with knobs on. But no doubt it was necessary, after Labour squeaked into office last October, to ration out jobs for every scruple of opinion in the party. No doubt, too, membership has taught some of the party's softer heads to harden their hearts. But over-manning on this scale at the very top of the nation's affairs is not only a bad example; it is a waste of too many highly-paid people's time.

The Cabinet meets at least once a week while Parliament is in session, and at least once a month in the recess. It is unusual for a Cabinet to last more than 2½ hours, but one hour is about the minimum. It is rare for more than four members to skip a meeting. What matters is that those whose time is regularly consumed in this way are executives in charge of organisations on whose good performance the efficient running of the country depends. They are people who have to mend political fences in their constituencies, their unions, and elsewhere. They have to travel at home and abroad. Their effective working time behind their desks is heavily eroded by the demands of the House of Commons (especially during ordeals such as the Finance Bill). So there is a good case for having a hard look at their work-load.

Is the time spent in Cabinet time wasted? A lot of it certainly is. The process of reaching decisions in committee increases more than proportionately with each member added to the committee's strength. Many of the 23 Cabinet members intervene very rarely indeed—perhaps because they have nothing useful to say, perhaps because they are too old or too sleepy to pay much attention. Others go on and on and on. It is hard to believe that the nation is best governed by a committee whose members include representatives—and have to listen to the worries—of such minority groups as the farmers, the Welsh, and Mr Frank Cousins.

A slight advantage would be gained by going back to the pre-Home (indeed, pre-1914) Cabinet size—18 or 19 ministers. But this sort of trimming would, in fact, be the hardest to bring off. There would be tremendous intra-party jealousies about who stayed and who got the chuck. There would certainly be anxious faces among the senior civil servants of every ministry at present represented. A permanent secretary's weight in discussion—particularly with the Treasury people who hold the purse-strings—can depend in the last ditch on the threat: "My minister will raise it in Cabinet."

The real cure for over-manning is not to demote the least relevant ministers, but to promote the most relevant. The Cabinet is primarily an executive committee, and not so much a deliberative assembly. It should aim at the ideal size for such a committee—between six and nine members.

The hard core is irreducible: Prime Minister, the Leaders of the two Houses, and a lawyer (who might be the Home Secretary but preferably the Lord Chancellor). Then the Foreign Secretary, the economic overlord (no more nonsense about rivalry between the economists and the money-bags) and the Secretary of State for Defence. That is seven: the total should be kept within the minimum of nine for an effective committee. There is a strong case for admitting someone bearing the title of President of the Board of Trade, exercising that department's supervisory role in industry, and doing all that a government can do to push exports. There is also a case for a new sort of super-minister for social policy, supervising and deciding priorities of expenditure between education, health and welfare, and the really relevant bits of the Ministry of Labour's job in the fields of industrial training, mobility and pensions. Anyone else who turned up would do so only because their speciality was seriously at issue—and never, even then, of right.

The members of this new sort of national board of directors could be given some new honorific title or attribution if it made them happier—although the old sonority of Secretary of State should do them proud. They should certainly be paid a top-level rate for ability. If it were really necessary to avoid offending the other characters in the ruling party senior enough to rate a Cabinet minister's pay and honours, there would be no harm at all in keeping something called the Cabinet as a home for them—or, indeed, in following Mr Wilson's policy to its logical conclusion and promoting all fairly important holders of political office to a seat in it. The only difference would be that this "Cabinet" would meet only ceremonially—perhaps whenever jobs were handed out in a major reshuffle or to hear the Budget details when it was too late to change them. It is time for the Cabinet to accept the destiny that has long since overtaken the Privy Council—to acknowledge that it is a dignified rather than an efficient bit of constitutional machinery.

The arguments for keeping a large Cabinet in being (this means an 18-man one) are in fact arguments for having a dignified body. The big Cabinet, its defenders say, can include members of all sections of a party. It is a test-bed for ideas, an honourable means of buttering up the Scots, or the left-wingers, or the country gentry, or the peers, or the septuagenarians. It is a recognition of the fact that a political party is not a business but a voluntary organisation, which needs some really juicy fruits of office to give away. It is argued by ministers that the presence around the table at No. 10 of a few heads, silently shining and signifying assent, keeps the nation's government on an even keel. That is just what one fears. The government ought at least to be run on the principles of a moderately progressive private company. The sort of genteel consensus that emerges when the dashing young 40-year-olds say their piece in front of the oldies is hardly a formula for "purposive government."

Purposive young politicians, on both sides of the Commons, who really would like to change things in Britain might think of the word Cabal. From the go-ahead clique of five from whose initials the name is derived sprang the original notion of Cabinet government in the seventeenth century. The name Cabal does not have a nice ring, but it has an effective one. Of course anyone who believes that there should be a strong executive arm of government must accept the need for good judges, and for an active parliament to keep the executive in check. *The Economist* believes in both. When Mr Wilson has his reshuffle before the autumn it would be a sign of strength if he recognised the reality of what is now Cabinet non-government.

Two Million Americans?

Let 'em all come, says Marshal Chen Yi. Other men in Hanoi and Peking may be more cautious about escalating the Vietnam war any more

It is going to get worse in Vietnam before it even has a hope of getting better. The bombing of a Saigon restaurant on June 26th, after the explosion at the airport on June 16th, presumably marks the start of a determined series of Vietcong attacks against targets in the capital. The execution of Sergeant Bennett, in retaliation for the execution in Saigon of a member of the Vietcong, reveals the grislinesses that lie ahead. Out where the battle is relatively open, the Vietcong managed to capture last weekend a district capital, Toumorong, in the central highlands, and attacked Thuanmon in the same area on June 30th. Though another Vietcong attack twenty miles north of Saigon at the same time was being beaten back, the fact is that during the monsoon the loss of places like Toumorong is inevitable, and must be accepted. General Westmoreland, the American commander, says that he is not going to risk the casualties that would be involved in trying to send relief columns up ambush-infested jungle roads every time an outpost falls. He is quite right: but the result is that by the time the monsoon ends, and the Americans can renew their air cover, the Vietcong is going to hold even more territory than it does now.

The communists' response to Mr Wilson's Commonwealth peace mission shows that neither Hanoi nor Peking is willing to give up the advantages the rainy season confers on the Vietcong. But there must be people in both capitals who are capable of looking beyond the wet weather and wondering which side the advantage will lie with afterwards. North Vietnam's chief aim is to reunite the two halves of the country under communist leadership. But the North Vietnamese now see the Americans preparing a network of airfields, roads and harbours in the south large enough to handle a far bigger American army than the one there now. This sharply reduces the Vietcong's chances of winning the war in the south without the help of the regular North Vietnamese army, and maybe the Chinese one as well. There are presumably men in Hanoi who do not want to push things that far; but, because North Vietnam's communists are now apparently divided into three factions, it is hard for anyone there who wants to change course to say so without exposing himself as a "defeatist."

As for China, not everybody in Peking can be as happy as Marshal Chen Yi, the foreign minister, says he is about the prospect of seeing "two million Americans" in Vietnam. China's main aim in this war is wider-ranging than North Vietnam's; it is the total expulsion of American power from the Asian mainland. But every new American unit which lands in South Vietnam makes it unlikelier that this objective can be achieved without a very big struggle indeed—maybe one on the scale of the Korean war, which China did not win. The Chinese at the moment are in the comfortable position of being able to arrange a confrontation with the United States in which the North Vietnamese are left to do the actual confronting. But things may not stay this way. The more cautious of them—and the Chinese communists are not reckless men—must soon be asking themselves whether they have

them. The opposition might thereby win enough votes and prestige in December to deprive the gaullist party, which is far more vulnerable than its hero, of its majority in the parliamentary elections that will follow in 1966. But, by its very nature, this sort of left-wing alliance would be only an electoral one. It would offer little prospect of something more substantial emerging in the post-gaullist era to which all French politicians are understandably looking.

For M. Defferre has run aground on one of the most jaggedly abiding rocks of French politics—the multiplicity of divisions between left and right, between democrats and authoritarians, between anti-clericals and supporters of church schools. This was the root cause of the impotence, in many fields, of the Fourth Republic, and of the cynical disenchantment of French voters with a system which all too faithfully reflected their many differences. Seven years later, the same multiplicity has scuppered M. Defferre.

General de Gaulle's great domestic achievement has been to begin to break through this ancient logjam of the parties. By making the presidency a real centre of power relying on popular support, he has given the parties an incentive to unite in workable groupings that might make a real impact at the presidential elections. Temporarily, at least, his own power of attraction for conservative voters has united the right. If the right remains united through General de Gaulle's reign and, more important, afterwards, it will bring pressure on the left to cohere as well, either by creating a new grouping of the moderate left (M. Defferre's dream) or by coalescing the old left (which would mean a working alliance with the communists).

But there are great obstacles in the way of a reunion of the left in a Popular Front. Even if, as some believe, the communist party is a giant with feet of clay, it can hardly back a government, still less join it, without exacting a price. The traditionalist right would be sure to see this as the ghost of revolutions past and to come. The excuse for a right-wing coup d'état would be ready to hand. The Algerian tragedy has made the army more politically conscious than ever before. General de Gaulle's plans for a semi-professional army, instead of an overwhelmingly conscript one, increase the risk that the army would intervene if faced with the prospect of a government with communists in it. So the left is unlikely to unite unless one of two things happens. One would be a profound change in France's voting habits over a long period, in which the left would cease to be the sort of political animal that frightened the right into violence. The other would be for the right to over-reach itself, thus rallying the country around a defender of traditional liberties. Short of that, one would expect a long succession of conservative governments. In the long run this would at least have the virtue of building up the pressures to make change on the left take place.

But it is quite on the cards that the right itself, divided between old-style conservatives like M. Pinay and M. Giscard d'Estaing and gaullists like M. Pompidou and M. Debré, will split when General de Gaulle goes. If so, the next president would have to work with multi-party parliaments like those of the Fourth Republic. But in a country divided among many parties the president himself might come to power only with minority backing, in the Latin American rather than the Washington style. If he wanted really to rule rather than just reign, he would then be tempted to repeat General de Gaulle's own strategy of attacking all the parties as rotten and appealing over their heads to the voters. His highly publicised office and the memory of de Gaulle would give him a fighting chance of success. Would every president in such circumstances be as restrained as General de Gaulle has been, or indeed have the personal ascendancy which makes it so easy for him to be relatively scrupulous ?

The potential strains are heightened by the gaullist constitution. It is not a balance of powers, as the American constitution is, between an executive and legislature which are equally irremovable. The French president dissolves parliament, and this power is a major weapon in his armoury. But his own prime minister depends on parliament's votes and could become its agent or ally in a struggle with the president.

M. Defferre's defeat closes, at any rate for the moment, one possible way out of a dangerous situation. It may even increase the danger by further weakening the respect the French electorate feels for the traditional parties, which are after all the ultimate safeguard against abuse of power. True, while the country remains prosperous, the general climate of opinion is moderate and no more enthusiastic for coups d'état or clique rule than for the party merry-go-round. But unless the political leaders find a way out of the contradictions in the party system, or the strains implicit in the present constitution, France's political troubles are very far from over.

COMMENTARY

HOLLAND

Eros Inconvenient

Royal families must tremble as their daughters approach marriageable age. In the case of the House of Orange the second world war has complicated things still further for a family accustomed to draw its consorts from among the scions of the German Protestant nobility. Herr Claus von Amsberg, whose engagement to Crown Princess Beatrix, the heir to the Dutch throne, was announced on June 28th, has found that his German nationality is not easily forgiven or forgotten even in a country that is west Germany's ally in Nato and its partner in the European common market. He has been fiercely questioned about his activities during the war, in which his career resembled that of all young Germans who were eighteen in 1945, passing through official youth organisations into the army.

Asked whether he had taken part in resistance to the Nazis, Herr von Amsberg replied "No." It is a little difficult to see what other reply could have been expected from one who emerged from adolescence after the failure of the July plot against Hitler in 1944 had shattered the German resistance movement. Fortunately, it seems that not all Dutchmen are disposed to visit Germany's sins on the head of Princess Beatrix's fiancé. The princess's choice was

perhaps not the most convenient in the world from the political point of view, but Cupid happens to be winged and doth range. For the moment the Dutch royal romance shows no signs of ending like that of Titus and Bérénice.

PARLIAMENT

No Respite

THE Government has suffered two more delays to its legislative programme at a time when the Finance Bill is not the only subject for parliamentary sittings into the small hours. First, the House of Lords has amended the Trade Disputes Bill; their amendment, proposed by the former Conservative Lord Chancellor, Lord Dilhorne, would make it unlawful for a trade union to victimise an employee. It precisely reverses the bill's intention, which was to restore the law to what it was believed to be before the *Rookes v. Barnard* case. When the bill comes back to the Commons the Government are certain to oppose the Lords' amendments, but this will take up valuable time. The Lords could then withdraw their amendments, as they withdrew on Lord Salisbury's advice over the War Damage Bill; but if the Conservative peers were to insist—and they have a good case—they would be promoting what might well be a popular part of their party's manifesto at the next general election. Labour backbenchers in the Commons have tabled yet another motion calling for the removal of the delaying powers of the upper house. This threat should not be taken seriously, nor, probably, should the Lords' opposition to the Trades Disputes Bill.

The other delay is over Mr Sydney Silverman's Murder (Abolition of Capital Punishment) Bill, which has received government protection. Last Friday the report stage of the bill was not finished within the allotted time mainly because of absurd procedural rules. There will not now be time to finish off the bill in the Commons and get it through a probably hostile Lords before the end of the session. It would be unfortunate if all the arguments which have already been presented *ad nauseam* had to be repeated during the next session. If the Government cannot find a procedural loophole which would allow the bill to be taken up after the summer recess where it has been left, they should seriously consider introducing in the autumn a Government bill to abolish hanging, and pushing it through as quickly as possible. There is no special reason why laws about the punishment of criminals should be reserved for private members' bills. The Homicide Act of 1957 was introduced by the Home Secretary, Mr Butler. In the debates on Mr Silverman's bill nobody has argued that the hanging of a certain type of murderer is in itself a good thing (perhaps because nobody has dared). The point of open contention has not been this basic value judgment but whether or not capital punishment prevents further murders, which can only be settled by empirical evidence. Although it could on the face of it be electorally damaging for Labour to push through so unpopular a measure on a party basis, it would also be damaging to Conservative morale in the Commons if the Whips tried to muster the Tory anti-hangers against it. After all, the Commons have voted to abolish the rope four times already.

COMMONWEALTH

Still in Being

"WE remain in being, in the hope that the climate will improve." On Tuesday in the House of Commons, Mr Wilson used these words to summarise the position in which the Commonwealth's Vietnam mission had been left by the communist capitals' unsurprising rejection of it. On Sunday he had met Dr Nkrumah, Dr Eric Williams, and the Nigerian prime minister's deputy, and made arrangements about keeping the mission in being, quite possibly, it seems, for several months. It is most notable that the general expectation that the mission will never see the red lights turn to green is accompanied by so little sneering—except, of course, Peking's. With Ghana's radio describing the Vietnam missionaries as "undaunted," there have been few voices raised anywhere in the Asian and African Commonwealth states to support Dr Nyerere's criticisms of the whole initiative. And the fact that the communist rejections were so categorical stilled debate about such aspects of the mission as its leadership—at least, it did until Mr Warbey put up his Hanoi hare on Wednesday; and it seemed doubtful whether that hare was really a runner.

Mr Wilson has had to admit that his notion of a Commonwealth parliamentary assembly was not too well received by the conference, and that he found the degree of support for Malaysia disappointing. But he can point to the progress made on the new secretariat and foundation, and to the prospect of a trade conference. The long communiqué that emerged at midnight, June 25th-26th, recorded agreement on the urgency of halting nuclear proliferation, and unanimous support for the current search for a satisfactory basis for UN peace-keeping operations. Delicately invoking self-determination in the case of the Dominican Republic but not in that of Cyprus, it nevertheless pleased Mr Kyprianou by praising the work of the UN mediator, Señor Galo Plaza. Some might say that Mr Wilson (and other heads of government) cannot have it both ways, first arguing that differences of opinion make the Commonwealth stronger, not weaker, and then emphasising how much has been agreed on. But maybe they can. The Commonwealth is like that.

JUVENILE DELINQUENCY

Scotland Leads the Way

WITH the Government's acceptance of the main recommendations of the Kilbrandon report on juvenile delinquency Scotland will achieve what penal reformers south of the Border have been urging for years—the removal of young offenders from the scope of the criminal law. Perhaps Scotland is lucky in that it has only four specially constituted juvenile courts, most juvenile cases being heard in the sheriff or burgh courts, and radical changes have thus been more easily accepted; it remains to be seen whether the "family courts" favoured by the Labour Government for England and Wales will meet with more resistance.

The principle behind these family courts and the juvenile panels proposed for Scotland is, however, the same: it is that since children are at present dealt with according to their needs rather than their deeds, a criminal court, whose first function is to determine guilt, is not the right agency for dealing with them. Thus the Kilbrandon committee recommended the setting up of juvenile panels, to which children (under 16) "in need of special measures of education and training" should be referred; the procedure would be the same whether they had committed what now ranks as a criminal offence or whether they suffered from parental neglect or cruelty. On the other hand, if a child were brought before a panel because of an alleged offence and he denied it, the case would be referred to a sheriff's court, to which there would also be a right of appeal against any decision on treatment made by a juvenile panel.

The Kilbrandon committee recognised that a radically new method of disposing of juvenile cases required a radically new service for carrying out the treatment decided on, and it proposed that all the services at present concerned in the treatment of children should be merged under the education authority. The Government, while recognising the need for a comprehensive service, has not yet decided whether it should be based on the education authority. But whatever authority is made responsible for it, the important thing is that the service should be adequate. It is useless to introduce a more refined system for disposing of juvenile cases without the means for carrying out the treatment. And this applies to England and Wales no less than to Scotland.

RUSSIA

Customers May Yet Be Right

UNDER the significant title "Plan, Profits, Premiums," *Pravda* published on June 23rd a report on a conference held under the auspices of Moscow university and including both academic and practising

economists and factory managers. The purpose of the conference was to discuss ways and means of improving Russia's planning, and the basic premise throughout the debate was that the present system of setting out detailed targets for the volume of production is too wasteful to be preserved. Most of the remedies that were proposed were by now familiar. Pride of place was given to profits as being the main criterion of efficiency, a yardstick which, it was argued, should be extended to other sectors as well as that of light industry. Some speakers pointed out that, if this reform was to work, the price mechanism would have to be overhauled so as to bring prices in line with real costs. More novel for Russia (though it is the accepted theory in Czechoslovakia) was the insistence that, when a firm increased its profits, part of them should be put in a special benefit fund that the manager could use to get the workers more interested in productivity.

The pressure for change is clearly building up, though the pace and extent of the reforms have not yet been determined. There is talk of a special session of the Communist party's central committee to deal with the matter. The problem of prices illustrates some of the decisions that now confront the Soviet leaders. Artificial prices have been deliberately used by Soviet planners to discourage the output of some goods and stimulate investment in others. Ought this in future to be left to the workings of the market? In theory, if not yet in practice, Russian economists are now approaching their version of Alice's famous question. Who is going to be master—the market or the planners?

THE SUPPLY OF DOCTORS

Is a Commission Necessary?

BRITAIN urgently needs more doctors. The quickest and most economical way of producing them would be by the expansion of the existing medical schools. But Britain also needs doctors trained to meet the needs of their patients in the second half of the twentieth century. The expansion of the existing medical schools would merely turn out more doctors cast in a mould that has increasingly been shown to be wrongly designed for the times.

There is a real conflict here, and it cannot be said that the Government's decision to set up a royal commission on medical education will resolve it. The Prime Minister has said that the establishment of new medical schools need not wait upon the deliberations of this body. Why, then, appoint it? To get round the fact that the Labour party had promised four new medical schools whereas only one is forthcoming?

Nor can anyone be entirely happy about the one new school that is to be built, at Nottingham. Because it has to wait upon the building of a large teaching hospital next to the university, it will be at least ten years before the first hundred students emerge from it. Both Keele and Durham universities, on the other hand, are anxious to set up medical schools straightaway, whose students would use the existing hospitals for their clinical training—significantly, the Durham executive council, conscious of the shortage of general practitioners in its area, is supporting the scheme for Durham. Both these proposals, which could be matched elsewhere, have the merit that they could be implemented quickly and would be free from the teaching hospital aura that has so bedevilled the training of doctors elsewhere. The two objectives—more doctors and a more realistic training for them—could both be achieved.

PRESCRIPTIONS

More Than Expected?

AT the beginning of February the 2s. prescription charge—paid by health service patients to pharmacists for each item on a doctor's prescription—was removed, to fulfil one of the Labour party's election promises. Figures given by the Minister of Health last week show a big increase in the number of prescriptions dispensed since then in England and Wales:

	January	February (millions)	March
1964	19.8	18.4	17.7*
1965	18.6	20.8	23.7

* Easter fell in March in 1964.

Mr Robinson has admitted that the increase is bigger than expected. What is still not certain is whether the estimate of the cost to the health service of the removal of the charge will be bigger than expected.

For England and Wales this extra cost in the current financial year is put at £25 million, of which £4 million seems to be an allowance for the removal of the charge's deterrent effect. The pharmaceutical service is, in fact, estimated to cost in all £120½ million, an average of £10 million a month. At this rate, the March figure of £11.8 million (the cost of the 23.7 million prescriptions dispensed) looks ominous; but there was more sickness in that month—the average weekly claims for sickness benefit were 10 per cent higher in March than in February. Chemists and doctors certainly report a big increase in prescriptions in industrial and working class areas. But there are several factors, some of them conflicting, to take into account.

First, the average cost of a prescription had been steadily rising over the years as more expensive drugs are brought into use. Secondly, with the removal of the charge doctors who used to prescribe a month's supply of a drug to save their patients' pockets may now revert to weekly or fortnightly prescribing; this increases the number of prescriptions but reduces their average cost. Thirdly, patients can now demand from their doctors prescriptions for things like cottonwool that cost less than the 2s. charge—which again would tend to reduce the average cost of a prescription. The extent to which the March figures, showing a rise in the total number of prescriptions but a fall compared with January in the average cost, depend on this last factor is not known. The April and May figures will be awaited with interest.

The Economist

JULY 1, 1865

ELECTION WITHOUT ISSUES

¶ The dissolution is now definitively announced for the 6th of July. . . . In several respects this general election differs from all the previous ones we can remember, and the issue in consequence must be looked for with unusual curiosity. . . . The Liberal party has no "cry"; neither has the Conservative party. The only thing approaching to enthusiastic feeling anywhere is the general popularity of a Premier who has passed his eightieth year, whom his supporters have no idea of deserting, and whom his opponents have no wish to oust. In general there is active and resolute hostility from the party out of power to the leaders of the Government; but in this case, Lord Palmerston is more popular with many of his formal antagonists than with many of his nominal supporters. . . . What will ensue on Lord Palmerston's retirement when fatigue compels him to retire, or who will succeed to his sceptre, it is impossible to predict. . . . It is conjectured that half the members of the coming Parliament will be new men, so that there will be a more extensive change of *personnel* than has ever been known since 1832. . . . Great fortunes and wholly new fortunes have been amassed within the last few years, and it is natural that some of their possessors should be desirous of entering the great assembly of the nation; and many of them no doubt are qualified to do good service there. As a rule, men of property are supposed to incline towards Conservative, or at least moderate, opinion; but on the other hand the commercial classes, among whom this recent wealth has sprung up, usually hold Liberal, and often extreme Liberal views. In most party questions it is probable that the majority of these gentlemen will side with the existing Government. One encouraging feature we may notice in conclusion—the appearance of a certain number of young men, unconnected with noble or territorial families, who have announced their intention of devoting themselves to statesmanship as a profession.

in the opinion market

Among groups of well informed people in Venezuela, Nigeria and Malaya, The Economist rating under the headings 'trustworthy' and 'respected for its views and comments' is above any other international publication.
who says so?
A report for Shell by Market Investigations Limited

Among chairmen of 525 companies in Western Europe (excluding Britain) 34% read The Economist.
who says so?
A survey for the Financial Times by Research Services

Among directors of public companies in Britain, 40% read The Economist, according to The Sunday Times' research last week. So, with a British circulation just 3% of The Sunday Times', The Economist reaches more than half as many directors.
who says so?
We do, using Sunday Times' figures but correcting their cost comparison*

And our own research? Just now (until publication of The Economist survey of 500,000 business readers in September) it only fills in the gaps. For example, whereas The Sunday Times say that directors spend 61.2 minutes a week with that publication in their hands, our business readers believe they average an hour and a half with The Economist. In our market holding readers' attention means as much as reaching top level management; The Economist does both, in 140 countries.

* The Sunday Times inadvertently doubled The Economist advertising rate.
The cost per % point should read:

Financial Times	2s 10d
The Economist	3s
The Times	4s 5d
The Sunday Times	6s 7d

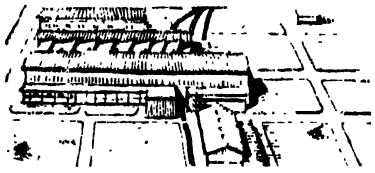
The Economist

What are Mowlems building now?

A BETTER TRADE BALANCE

Competing for overseas work isn't the easiest way to make money; but it keeps costing keen and makes certain of efficiency. Mowlems have a long history of building and civil engineering in Africa, the Far East, South America and the West Indies.

Now they're in Europe.



The complex of buildings at Rade Koncar

FOR YUGOSLAVIA— A TRANSFORMER PLANT

For Rade Koncar at Zagreb in Yugoslavia they have been responsible, in conjunction with Associated British Machine Tool Makers Ltd, for the design, supply and installation of a complete transformer manufacturing plant

DAMS IN CYPRUS

Mowlems began to build their first dam in Cyprus in 1963 in a joint contract with Marples Ridgway & Partners Ltd. Now they are completing a second dam. Their work brings credit to Britain and raises standards in Cyprus.

The first dam completed by Mowlems at Cyprus is about 500 feet across (including the spillway) and 120 feet high.

IN GREECE — AN OFFSHORE TERMINAL

The Esso Pappas Industrial Co. Inc. appointed Mowlems (with collaborators George M. Chryssopoulos Inc.) to design and construct a terminal 2500 feet offshore to berth oil tankers for the Thessaloniki oil refinery. The work includes a breasting island and four mooring dolphins to take ships up to 16,500 tons and, half a mile further out, moorings for 65,000-ton tankers. Many British components used; recently fender [illegible] and huge shackles were [illegible] by road ferry, direct [illegible] m Merton in only 7 days.

All over the world Mowlems are helping to build a better trade balance for Britain and a better life for everyone.

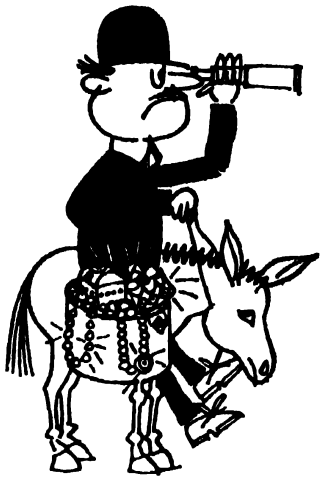
MOWLEM

John MOWLEM & Co. Ltd

91 Ebury Bridge Road, London, S.W.1.
Telephone: SLOane 4500

In the United Kingdom at Edinburgh, Cambridge, Doncaster, Bath and Falmouth

Handling short term funds at home is one thing



Dealing with liquid assets in an alien economy is quite another

That's when it's nice to know you have a friend at Chase Manhattan

the specialist international bank

With first-hand knowledge of local investment conditions, Chase Manhattan is in an unique position to advise on the profitable handling of your funds anywhere abroad. But this is only one of the specialist services it can offer. For the Chase Manhattan, the leading bank for business in the U.S., has offices in the world's key financial centres, and the largest network of correspondents of any bank.

This unique organisation can be set in motion immediately from the London Offices of the Bank. The result is a service that's complete. It's also the fastest possible.

So if you do any kind of business overseas, remember you have a friend at Chase Manhattan, your *specialist* international bank.

THE MANHATTAN BANK

Incorporated with Limited Liability under the laws of the State of New York

6 LOMBARD STREET, LONDON EC3 · 46 BERKELEY SQUARE W1

THE WORLD INTERNATIONAL REPORT

The black side of Paris

BY OUR SPECIAL CORRESPONDENT

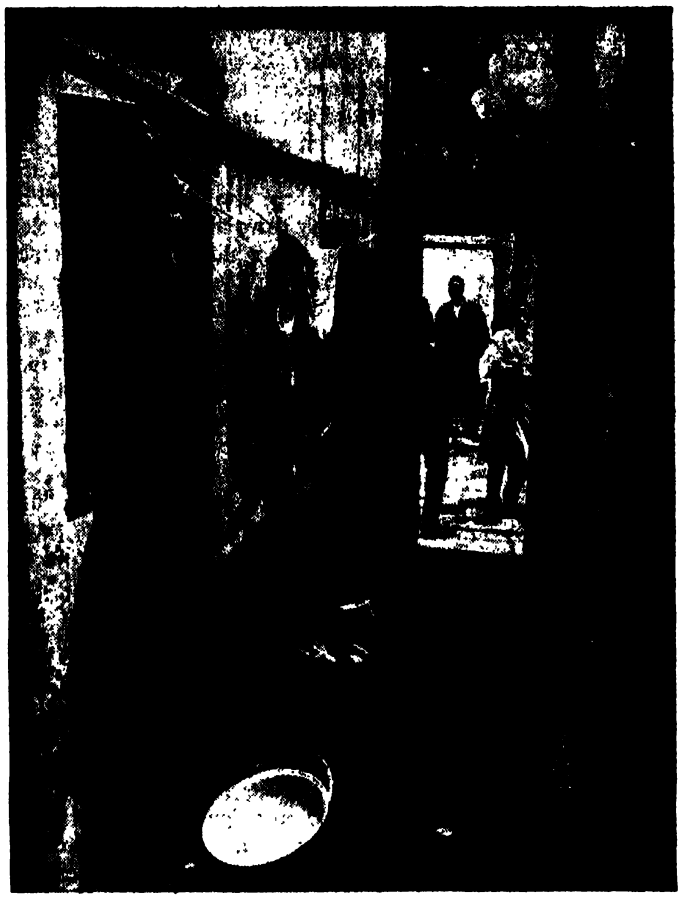
If the French have a reputation for being less racially-conscious than those intolerable Anglo-Saxons, they are in a good position to lose it in the years to come. The French economy depends upon the largely unskilled labour of something like two and a half million foreign workers, roughly half a million of whom are Algerians and a small but visible number of whom are west Africans.

The Algerians have a rough time, in common with other north Africans who look like them. On the way to Paris this correspondent met a Moroccan who is studying at a college outside Paris ; he was with his English fiancée. " My very pale shade was highly acceptable in England, even when I was with her," this student said, " but in France it gets stares from everyone, plates rudely slapped down by waiters, insults in the street." Yet at Orly airport the customs officer was black (" Why not ? he is French," a Parisian explained later) and around St Germain African students and their French girl-friends walk hand-in-hand unselfconsciously and apparently free from stares.

Much has already been written about the Algerians in France: one useful summary of their situation is in the latest issue of Britain's Institute of Race Relations newsletter. Under the Evian agreement by which Algeria was set off to independence the flow of Algerians to France was to be unrestricted, but an excess of arrivals over departures of 48,962 in 1963 led to an agreement, concluded in April, 1964, that Algeria would issue passes to would-be workers, while new arrivals would be medically examined on arrival at Marseilles. This initially reduced the influx, but now the numbers are right up again, with intending workers getting around the barriers by declaring themselves tourists.

The majority of the new arrivals from Algeria live in shanty-towns outside the main cities of France, but then so do many of the Portuguese workers, who are currently entering France at a rate of something like 25,000 a year. (These have replaced the Italians, of whom 80,000 entered France to work in 1957 while only 12,000 came in 1963.) Thus it is hard to isolate racial discrimination from the other factors affecting the French attitude to Algerians—and in the south of the country the Algerians are less racially identifiable, since they blend so easily in with the other Mediterranean peoples.

Is there discrimination against blacks? " Not against the wealthy or the educated," one French student said, " but for the poor and the ignorant there is a feeling as effective as discrimination—indifference." Others pointed out that the president of the French senate is a dark man from French Guiana, M. Gaston Monnerville. If General de Gaulle were to be suddenly removed from the scene M. Monnerville would be his successor, pending the election of a new head of state. On the other hand, the introduction of television has reduced M. Monnerville's political standing ; he did well enough when there was radio alone. The presence of some 7,000 American Negroes in Paris testifies to their preference for it as a free city over, say, New York, but one woman



of this community told your correspondent that French friends of long standing had said how they believed coloured people to be inferior but were prepared to associate with her just the same. The French seem to feel culturally superior rather than physically put off (as some Anglo-Saxons claim to be) in the presence of other races.

If these impressions seem mixed, the reason is that any conclusions about the state of race feeling in France today must be mixed. It is certainly untrue to assert, as so many outsiders and even Frenchmen do, that France is free from racial prejudice ; it would be equally unfair to accuse the French of being as anguished about the whole subject as are the British

Immigration and race do not feature in French politics, for example—always excepting among Communists (who take a marginal interest in the welfare of the black comrades) and the parties of the extreme right. Most of the 177,000 Negroes settled in France are French and accepted as such ; they come from Africa and the Caribbean. These, like the Indochinese, are permanent residents and perhaps the reason they are not bothered about is that their numbers are more or less fixed. This excludes the itinerant workers from Africa, whose story is perhaps the best illustration of how indifference can be as painful as discrimination.

In February, 1963, three articles in *Le Monde* described these 40,000 or so west African workers as " voluntary slaves." Their generally miserable living conditions were graphically described

in the articles. More than two years later your correspondent has visited some of the same places as those discovered by *Le Monde* : nothing has changed.

In Montreuil, just outside Paris, there is an "hotel" for these African workers that makes the conditions for Johannesburg Africans seem heavenly by comparison : your correspondent has seen both. A long filthy corridor has on either side rooms in which the beds are run up the walls. These three-bunk-high rooms are just large enough for a pile of bunks against each wall, with room to walk between. The rooms are dark ; between the rows of bunks the men's washing hangs from string. A sink for hand and face washing, a kitchen for elementary cooking, and extremely primitive lavatories are crammed in the yard outside.

The man who runs this "hotel" is an African, from Mali. He claims that he in his turn is exploited by the French owner of the building. He and his brother have three establishments, totalling a thousand beds, between them ; they drive about in a Chevrolet.

The men who live in these and similar slums come to France alone, to work for an average of two to three years before returning home. Nearly all of them belong to the Sarakolleh tribe ; a few are Toucouleur. These tribes live along the north bank of the river Senegal, and come from the three countries the river touches when it gets to its most dry region : Mali, Senegal and Mauretania. They are traditionally wanderers, seeking work in west African capitals where they can and setting off for France where they cannot.

Moslems all, these Africans protect themselves while in France by sticking together in their original clans ; a few leaders speak French but the majority do not. They do the dirty work—on building sites, for instance, or sweeping streets. Some bright sparks pick up French ways and the French language and dress up on Sundays to set off for the Left Bank, where, as "students," they enjoy life the Paris way. Some go to night school to learn to read and write. But most of them have few social contacts outside their clans, except while on the job.

The job is the thing. These men get French wages, eat clan-cooked rice, and pay thirty to forty francs a month for their hostel beds. They are thus often able to send five or six hundred francs home in savings every month ; this (say, £40) is a lot of money where they come from. While in France they live rough, but presumably feel the trip is worth it. The ones who do get into trouble, or feel themselves racially slighted, are those who find themselves drawn out into French life.

A curious method of doing something about all this is evolving. The employers of these African workers pay family allowances at the official French rate, but, by agreement with the home governments, the men get only the allowances they would get at home. The difference is being paid into a *fond des actions sociales*, whose purpose is to build better hostels when enough money has accumulated.

If there is a problem for the French government (humanitarian considerations apart) in all this, it lies in the future. France has come to rely on a steady flow of foreigners to do the hard menial work ; during the last fifteen years the pattern of immigration has been in a state of constant change, with fewer immigrants arriving from southern European countries as they get richer. The supply of Spanish and Portuguese workers might thus in its turn come to dry up ; then the choice will be between slowing down economic advance and bringing in the west Africans in greater numbers. That is when the true test will come.

GERMANY AND BRITAIN

Harvest not quite home

FROM OUR BONN CORRESPONDENT

We shall have to wait until 1967 to judge whether Mr John Diamond's visit to Bonn this week has garnered quite the harvest Britain hopes for. The chief secretary to the treasury came in earnest mood on Monday to extract from the west German government as large a slice as possible of the foreign currency it costs Britain to keep the Rhine Army in Germany. He returned to London on Tuesday with a verbal undertaking, defined in a press communiqué, that the west Germans will pay up about £57 million a year for the three financial years 1964-67.

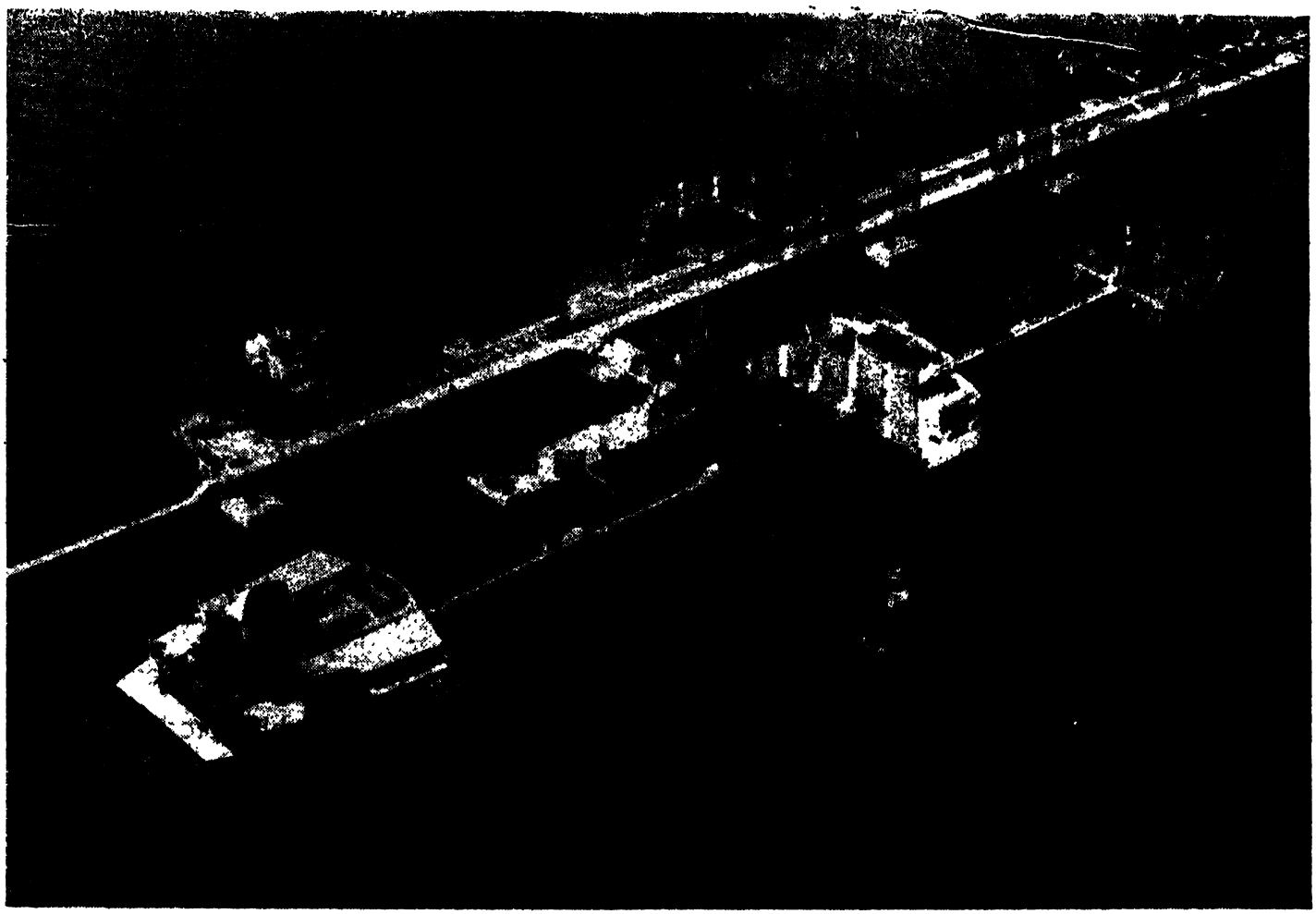
As he hurried off to catch his aircraft Mr Diamond remarked that he was very happy. British officials who were present at the talks said they were convinced that the Germans meant business. Indeed, as an indication of what might in theory be achieved, the west German finance minister, Herr Dahlgrün, told Mr Diamond that if all contracts and projects were to mature without hitch German orders worth about £145 million would be placed with Britain by the end of March, 1966. What was specifically arranged late on Monday night, in the garden of an inn in the Ahr valley, amounts to an annual figure rather lower than this. The various undertakings add up to a German promise to provide a total of 1,900 million marks, or roughly £170 million, to help cover the cost of the Rhine Army in the three years ending in March, 1967.

This sounds satisfactory. But it is not quite as firm a promise of help as the one which Mr Diamond set out to obtain. In particular, Herr Dahlgrün rejected Mr Diamond's initial request for a straight cash payment should German orders for British goods fail to reach £60 million a year. And the question remains whether German buyers will find in Britain enough of the goods they want for the three year total of £170 million to be reached.

Süddeutsche Zeitung

Complications such as these did not mar the first two-year Anglo-German agreement, which expired on March 31, 1964. By then west Germany had fulfilled a business-like undertaking to buy goods worth 600 million marks a year from the United Kingdom. It took until the July of 1964 to negotiate the second and current agreement. By this Germany is not committed to a precise figure of help. It simply declared an intention to compensate Britain as far as possible for the Rhine Army's cost in foreign exchange. This cost was acknowledged to be in the neighbourhood of £85 million a year, and rising. Yet up to last February German purchases in Britain had accounted for only a fraction of what was hoped for. When Mr Harold Wilson was in Bonn on March 8th and 9th he strongly urged Herr Erhard to tackle the problem. The two arranged that Herr Dahlgrün and Mr Diamond should meet in Bonn in April to consider what could be done, but the encounter was postponed because of the Queen's tour of Germany in May.

Since many other countries are concerned, both British and



More water, please

People talk of productivity

Productivity means more output at less cost. Less cost in oil means, for example, using the largest tankers afloat to bring the oil in.

Two years ago, none of the really big tankers could reach the Esso refinery at Fawley fully laden. The main channel in Southampton Water was not deep enough. And out beyond the Isle of Wight there was a hump in the way – the Nab Shoal.

So we dredged the hump and we dredged the channel, and now the 90,000 tonners (and larger) can come in safely with feet to spare. And the captains of the great liners using the port of Southampton may enjoy this advantage, too.

Spending sensibly – in order to save substantially. That is an aspect of productivity.

Esso

New rubbers, New uses...

ISR—The International Synthetic Rubber Company—is Britain's leading synthetic rubber producer, operating Europe's largest SB rubber producing complex at Hythe, near Southampton, and a solution polymerization plant at Grangemouth, Scotland. ISR's current capacity is for 155,000 tons of synthetic rubbers and latices a year. But as demand increases this figure can be rapidly extended to 175,000 tons annually—sufficient to meet all essential domestic needs and a growing export trade. For useful new rubbers and exciting new uses look to Britain's ISR.

The International Synthetic Rubber Co. Ltd.
Brunswick House, Brunswick Place, Southampton, Hants.
Tel: 28901; Telex: 47519; Cables: INTOL SOTON
London & Export Office: 32 Portland Place, London W1.
Tel: LANgham 0711; Telex: 23168; Cables: INTOLRUB LONDON
European Office: 11 rue Emile Claus, Brussels 5, Belgium.

...from ISR

German officials are reluctant to disclose what new orders and contracts are involved in this week's new promise. There has been much talk in Germany over the past eighteen months of Britain's frequent failure to deliver the right goods at the right time at the right price. The frequency of strikes in Britain is claimed to have undermined the confidence of German buyers. In a newspaper supplement devoted to the Queen's visit the west German economics minister, Herr Schmücker, suggested that Britain might overcome its financial difficulties sooner were it to cultivate "a stronger will to export," and, apparently at the finance ministry's prompting, the following allegations of Britain's undeserving ways were published on Monday across four columns of *Die Welt*:

- Two years ago the west German finance ministry set aside a sum of 165 million marks to buy machinery in Britain for German development aid projects. The money is still untouched for want of practical British plans.
- At a recent meeting in Lima to discuss the Mantaro hydro-electric project the principal British negotiator was unexpectedly absent—on a shooting holiday in Norway, *Die Welt* claimed.
- The British have dawdled over opportunities of participating in several projects in the Arab world. In the meantime Arab-German tension has brought uncompleted negotiations to a standstill.
- In response to a request from the finance ministry, the German federal railways were ready a year ago to buy 14 million marks' worth of rails from Britain. Three of the British companies approached did not react at all, and the fourth company's tender was unreasonably high.

In the circumstances we must wait until March 31, 1967, to learn whether Mr Diamond's optimism is justified.

RANN OF KUTCH

Reason triumphs

For once, Britain's enthusiasm for trying to settle disputes between India and Pakistan has borne fruit. The cease-fire in the Rann of Kutch that was agreed to on Wednesday was not only a victory for commonsense in both countries but owed a lot to the persistence of the British mediators. Under the agreement both sides will withdraw their troops from the disputed area, while they maintain only those police posts that existed before the trouble began.

This tiny triumph for reason is not, however, likely to be easily repeated in the political talks that are to follow on the correct location of the boundary. Neither country wants to fight the other, but both have bitter feelings about this dispute, and still more about others. The disagreement about the location of the border in the Rann of Kutch is not one that can be settled by trivial adjustments: many miles separate the two countries' claim lines, and only a political will to agree can produce a compromise. There are few political pressures in either country for such a compromise, and there are a very large number of pressures against one.

Meanwhile the two countries have agreed to call off the confrontation of troops across their other borders. This had reached levels that were dangerous, even if, in both countries, general war is regarded, like the nuclear weapons of the super-powers, as an ultimate catastrophe that may be threatened but never used.

The dispute, which concerns a barren waste now largely under water, dates from 1947, though it has not been a matter of importance until this year. First complaints came early in the year; the fighting broke out in April and died down at the end of that month, except for a recent incident when a Pakistani patrol apparently walked into an Indian minefield. Since then the two sides have been brought slowly to agreement on the terms for a cease-fire; the final touches were given during the Commonwealth conference. The likeliest outcome now is that both India and Pakistan will repeat their cases *ad nauseam*—and get nowhere. Mercifully, it has been agreed that if they cannot settle by themselves they will go to an impartial tribunal. Such a tribunal would probably find in India's favour.

ISRAEL

Establishment split

For the first time in Israel's history there is a fair chance that, after the November elections, the country may be run by a party other than Mapai, the all-encompassing centre-left labour grouping that has so far led each succeeding coalition government. This is the result of Mr Ben-Gurion's decision, long feared but made final only on Tuesday, to break away from the party and lead an independent list of candidates at the elections. Nearly all the younger leaders in the party, and about 30 per cent of the party members, will go with the man who is now 79 years old but has fought age every step of the way.

When Mr Ben-Gurion resigned as prime minister two years ago, people swallowed their scepticism (he had resigned before) and accepted, tentatively, that this time Israel's fiery old leader really meant to take a back seat. He was, after all, handing over to his natural successor. Mr Eshkol, ten years younger than his chief, had worked with him closely; he was acceptable to most camps within the coalition; the transfer was expected to be smooth, the differences more of style than of policy. But style, it seems, counts: after a long row, which started over the ancient security scandal called for convenience the "Lavon affair," and which ended a few weeks ago with Mr Ben-Gurion publicly belabouring Mr Eshkol as "unfit to be prime minister," the difference has split the party.

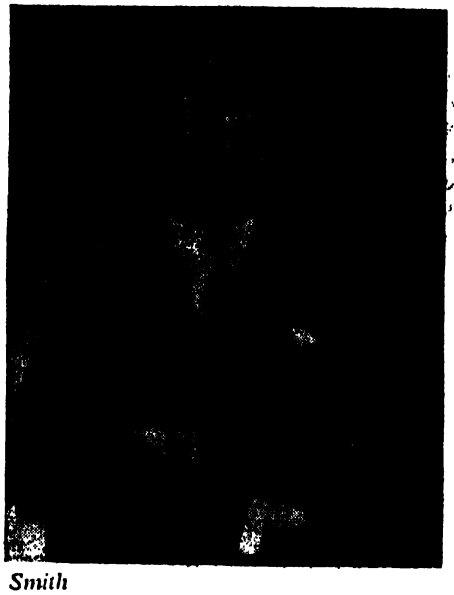
It would be easy, but not quite correct, to ascribe the quarrel wholly to conflicting personalities. There were at least two other contributing factors. While there were no differences about foreign or defence policies, in domestic and economic affairs Mr Eshkol was leaning slightly leftwards. This trend was confirmed by Mapai's electoral arrangement with the moderately left-wing party Achdut Avodah. Then there was the exasperation of the younger, but no longer all that young, leaders of the party who believed that Mr Ben-Gurion pushed their interests more than Mr Eshkol does. Messrs Dayan, Peres and Almogi have all recently resigned from Mr Eshkol's cabinet; they have been followed into Mr Ben-Gurion's camp by a number of leading government officials. One of the most prominent of these has been Mr Teddy Kollek, the director-general of the prime minister's office.

Israelis, even left-wing Israelis, have been complaining for years that Mapai has been too long in office and badly needs a spell in opposition. But what party could take over? One possibility is the recently formed alignment between the right-wing Herut and the majority of the Liberal party. This would swing Israel decisively towards the right. Another possibility is that Mr Ben-Gurion's independent party could join up with the minority faction among the Liberals. This would bring some of Israel's most able individual politicians to the fore—but a formidable hurdle of personal prejudices and dislikes would have to be cleared first.

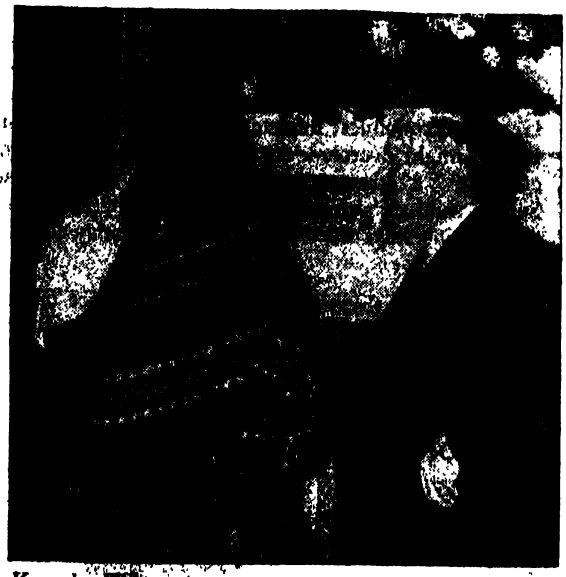
Stability of government is boring, and it has bored many Israelis. But when the complaints have been expressed, Israelis tend to admit that there is no immediate promise of a government that will do better than Mapai, and no immediate promise of a leader more able than Mr Eshkol. Mr Ben-Gurion, whose achievements in Israel's early days stand out bold and clear, has done his country damage by reducing political issues to personal quarrels. Israelis could be put in the unhappy position of finding out that fast-changing governments are even more boring than stable ones.

Central Africa: Smith's strengths

Britain and Rhodesia have reached stalemate. The Salisbury government now realises that it would destroy itself if it declared Rhodesia independent without Britain's permission, while Mr Wilson, for his part, knows that there is little he can do (given his political position) to force the white Rhodesians to accept African rule. A despatch from Salisbury, below, describes how the government of Mr Ian Smith is consolidating its position; the article that follows describes the present weakness of Rhodesia's black opposite number, Zambia (formerly Northern Rhodesia). And in this part of the world Zambia's weakness is Britain's.



Smith



Kaunda, Wilson

FROM A CORRESPONDENT IN SALISBURY

WHITE Rhodesians are prone to invent father-figures as shelter against continuing storms. There was Sir Godfrey Huggins and Sir Roy Welensky; now, most powerful of all, there is Mr Ian Smith. He is young, and less experienced than the knights of yesteryear, but every bit as shrewd. "Ian will find a way" white Rhodesians are saying today, after their buffeting from the Commonwealth.

With sighs of relief that once more Britain has succeeded in not letting them down, the Rhodesians have switched off their radios and returned to their farms and businesses confident that "Iron Man" Smith will somehow manage to keep them buoyantly and solvently on top of the game, and moving towards independence. Bolstered by the biggest white majority ever known in Rhodesia, and unhindered by any worthwhile opposition, Mr Smith will play the Rhodesian game the strong silent uncompromising way. He will say to the Commonwealth, in effect, "Here I am—come and get me if you dare." Noted with admiration even among the scattered and disheartened white liberals was Mr Smith's air of restraint under the Afro-Asian threats.

Could it be that Mr Smith is trying to make it easier for Mr Wilson and the Commonwealth Relations secretary, Mr Bottomley? It would certainly be in his interests to do so. It is safe to assume that Mr Smith will not allow himself to be provoked into taking unconstitutional action when he does not want to. He is well aware that this is just what the African states would like. This does not mean that he is not prepared to take unconstitutional action at a moment of his own choosing, when he feels the time is ripe. First of all, however, the Rhodesian white fortress has to be prepared for attacks, economic and just possibly even military. So far Mr Smith has achieved mastery over the security situation. He has swept all the African nationalists into restriction for five years. He has cut them off from communication with the outside world, and is now busy discrediting them among their people.

He is reintroducing paternalism with the backing of tribal chiefs who have been encouraged and made more aware of the outside world by expensive world tours that always finish up in the Transkei, South Africa's Bantustan. This week's budget includes a new measure designed to bring thousands of rural Africans into the cash economy. The hope is that this will blunt any political consciousness that might remain. The theory is that good irrigation dams are worth more than votes in drought-parched tribal reserves, where people are starving and the cattle are dying. The effects of the post-federation upswing in the economy are already being felt by the Europeans and will eventually be felt by the Africans in the urban areas.

More important, Mr Smith is finding ways and means of alleviating Rhodesia's loneliness in the world at large. There is already a strong fellow feeling between Rhodesia, Portugal and South Africa. This is being made more concrete. Two South African ministers have visited Rhodesia during the past fortnight to test out the strength of the republic's Rhodesian white buffer. The governor-general of Portugal's colony of Mozambique is soon to be given a grand tour of Rhodesia. Rhodesia's deputy prime minister (and minister of defence), Mr Dupont, was in Lourenço Marques, capital of Mozambique, last week; he came back smiling. One of Mr Smith's former ministers, Mr Gaunt, has been made envoy to Pretoria; another, Mr Reedman, is headed for Lisbon.

The pieces are falling into place for a thoroughgoing alliance of the white south, with Rhodesia assigned the major task of holding the Zambezi frontier against the black north. The time will come when Mr Smith will feel secure enough to go over from the defensive to the offensive in his pursuit of independence—and if nothing has at that point been arranged with Britain for independence on Rhodesia's uncompromising terms, the balloon will go up.

—and Kaunda's weaknesses

SHOULD trouble with Rhodesia become actual, Zambia might be the first to suffer. This has long been known; what was discovered at the Commonwealth conference in London a week ago was the full extent to which Zambia's determined president, Mr Kenneth Kaunda, appreciates the realities of power in central Africa. On Thursday he made some of this public. But not all.

Zambia is landlocked. Its copper, and indeed pretty well all its produce and exports, travel down into Rhodesia on the way to ports in Mozambique or South Africa. In any crisis resulting from the black-white confrontation along the Zambezi, South Africa and Portugal would be Rhodesia's allies. In his own calculations President Kaunda goes further: he feels that the possibility of a white southern African economic offensive against Zambia cannot be discounted.

The way to hurt Zambia lies not only in cutting off its effective outlets to the sea, but, even more simply, in cutting off its supply of electric power from the Kariba

hydroelectric station that Rhodesia and Zambia jointly own, but which could easily and quickly be taken over by Rhodesia. In either event Rhodesia's economy would be hurt too, but it could at least look to its South African and Portuguese neighbours; Zambia would have nowhere to turn.

President Kaunda's agreement to the Commonwealth prime ministers' communiqué on June 25th (which allows the British government further time in which to negotiate with Mr Smith) derives from a fresh Zambian awareness of these realities. President Nyerere of Tanzania—who is more fortunate in his geography—was able to dissociate himself from the communiqué.

Yet President Kaunda has shown that there is a limit to the extent to which he feels bound to trim his sails. Since South Africa and Portugal have closed their ports to arms shipments bound for Zambia, Dr Kaunda now has his arms flown in at very high cost from Mombasa, in Kenya, or from Dar-es-Salaam in Tanzania. The Portuguese would no doubt reopen their ports to every kind of Zambian import if Dr Kaunda would agree to diplomatic relations with Lisbon. This, for his own landlocked reasons, is what Dr Banda of Malawi has done. But the Zambians have refused, and seem willing to pay the price.

The Zambians are naturally anxious to find a way out of this dilemma. The obvious one is a railway line, or an all-weather road, linking the copperbelt with Dar-es-Salaam. But, cost apart, the trouble with such a solution is that it will take a long time to put into practice. A railway would take at least five years to build, if not more. Once it reached the coast the trouble would be that Tanzania's main harbour, Dar-es-Salaam, would be unable to take the extra traffic without extensive rebuilding. Zambia's imports and exports amount to about five times the tonnage presently handled by the port.

All the same, the Zambian government has set up a joint ministerial committee with Tanzania to study ways of building this railway and where it should go. Because of the many difficulties—one is that the Zambian gauge is 3 ft. 6 in. while Tanzania uses the metre gauge—the Zambians are working on the theory that they might as well build a whole new railway line across their eastern province and through Tanzania to the coast, where a new port would have to be built. The railway would all be in the 3 ft. 6 in. gauge; the cost has not yet been worked out. But, in any event, nothing could be done in time to affect the immediate political situation.

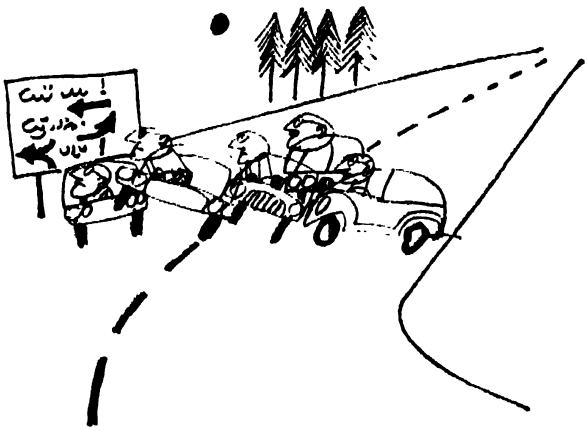
A story of an offer by China to build this railway was floated in *The Guardian* on Thursday morning; by Thursday afternoon Mr Kaunda had said that China had spoken of doing a survey. But the only firm offer, to meet half the cost of a survey, came from Britain. Actual construction—as opposed to a survey—seems several offers ahead.

In theory a road would take less time to build than a railway, but the Zambians have been advised that the big modern road-building equipment needed to build roads quickly carries a 16-month waiting period before delivery. Moreover, the amount of, say, tar needed to build an all-weather road that could carry Zambia's tonnage would be too much for its already overcrowded railways to bring in except over a long period.

If these seem like highly technical obstacles in the way of political bargaining they are, even so, obstacles that have given the Zambians cause to think. Their argument is that there would be no sense at all in bringing chaos upon their own country. The South Africans would just say, "There, see, the natives cannot govern themselves." For this reason, while Mr Smith is busy consolidating his own strong position down in Rhodesia, the Zambians, too, are hoping for a breathing-space, during which they will build up what strength they can.

GERMANY

Posters against the old Adam



FROM OUR BONN CORRESPONDENT

BRITONS passing through northern Germany these days may see posters adjuring them, in English, to go carefully. The message is intended primarily for Rhine Army drivers; it may also, the Germans reckon, get across to a lot of other travellers too. Itinerant Dutchmen, Swedes, and Danes are getting the same poster message in their own languages. So, in handbills, are Italian, Spanish, Greek, and Turkish workers in factories and ports. Resident Germans in the states of Bremen, Hamburg, Schleswig-Holstein and Lower Saxony are being reminded through a score of channels of the physical hazards of contemporary living. With the blessing of church and state a studied campaign to cut down the kind of mishap in which people get killed or seriously hurt is in full swing.

The agitation is warranted. Perhaps rather more than most, Germans collectively tend to disregard the vast attrition of recurrent small-scale casualties. It takes some monstrous disaster—such as the chemical plant explosion at Ludwigshafen in 1951, which killed 561 people—to arouse deep concern. Newspaper reports of grave accidents are usually brief and often omit names. You would hardly gather from the daily press that every year 32,000 people are killed in accidents in west Germany, and 80,000 permanently disabled.

Of the fatal casualties, approximately 14,000 occur on the roads (relatively twice as many as in Britain), 8,000 in homes, and 4,000 at places of work. Factories report three million casualties a year in all. Accidents are, in fact, the commonest cause of the death of west German males up to the age of 45, and among women the second-most common cause after cancer. Of the 8,832 west Germans who died in 1962 between the ages of 15 and 25, 4,474 were victims of an accident.

Increasing mechanisation and a faster tempo of living are usually blamed for the slaughter. It is an evasive explanation, for only 20 per cent of the fatal casualties are caused by a mechanical failure (the road worthiness of cars and lorries is officially tested every two years). The majority result from a human failing of one sort or another: fatigue, worry, bad temper, laziness, boredom, swank, stupidity, or maybe just an overkeen eye for the girls.

The promoters of the anti-accident campaign—the Federation of Employers' liability insurance associations—are trying to persuade the individual to think more of his or her own responsibility. The success of a similar campaign conducted in Baden-Württemberg in 1962 has encouraged them: the number of accidents there dropped afterwards by 17,000 a year.

The current campaign in the north calls upon the public to keep safety in mind while at work, on the roads, at home, and at play. Among the risks that are being specially discussed is the breakneck haste of most motorised workers to get to their job in the morning and then back home again in the evening. Another is the presence of more than a million foreign workers in the country; largely because of their ignorance of the language they have a higher accident rate than the Germans.

Pretty well every suitable organisation is being roped in to preach prudence. Schools, trade unions, churches, the post office and the Bundeswehr are all taking part. Among the media being used are public lectures, film shows, travelling exhibitions, and thousands of posters, handbills, and stickers. Safety first slogans have been printed on two million match boxes. One ethical problem is being earnestly debated: should the good citizen report an egregious road hog to the police? In the meantime the real villain of the piece, *Der Innere Schweinehund*, as old and as incorrigible as the human race, is likely to continue to get away with it.

AFRO-ASIAN CONFERENCE—1

On to Guy Fawkes day

BY OUR SPECIAL CORRESPONDENT

BEFORE "*les événements du dix-neuvième*," as the overthrow of President Ben Bella on June 19th is circumspectly referred to by the heavily controlled newspapers, the position in Algiers was that while only the Chinese and Indonesians really wanted a "second Bandung," others like the Indians and Nigerians, although not wanting it, wanted to be there if it were held. By diligent effort the Indians had gathered together an undefined group of "moderates" who were prepared to try to keep the Chinese in order; moreover the Indians thought they had a majority in favour of Russia's participation at Algiers, which, it was hoped, would weaken Chinese influence. It even looked as if Malaysia might get in; it certainly got into the official conference handbook, along with Western Samoa and the Soviet Union. President Nasser, courted by both Indians and Chinese, seemed to be leaning to the Indian side, and the English-speaking African states seemed similarly inclined, although there were doubts about Tanzania.

Then came Mr Ben Bella's fall, and soon afterwards the appearance in Algiers of a horde of journalists and diplomats who had timed their arrivals so as to be there during the foreign ministers' meeting, intended to start on June 24th, which was to precede the "summit" and resolve such problems as Russia's right to a place. They found Algiers a place of rumour and uncertainty beneath the tranquil surface of a city that shows little trace of what it has undergone in recent years. The revolutionary council's stern proclamation did not say who composed the council or where Mr Ben Bella was. In the evenings groups of youths and children would sweep through the streets shouting "Bou-me-dienne ass-ass-in," to be dispersed by policemen who sometimes outnumbered them but used teargas too. There were reports of more serious riots in Bône and Constantine; foreign newspapers stopped coming after June 19th, though French fashion magazines duly arrived.

Groups began to form among the foreign ministers—or rather among their deputies, who were sometimes officials of modest rank; foreign ministers themselves showed an increasing reluctance to come, as did their heads of government. A flourishing Algiers industry was pasting out "*Bienvenu au Chef d'Etat de X*" on placards on lamp-posts and replacing it by "*Bienvenu au Délégation de X*." The Indians were now working ceaselessly for postponement and finding a good deal of support; Algeria's new rulers continued to resist this proposal for the sake of their prestige both at home and abroad. Hence there were two postponements of the foreign ministers' meeting, especially, it seemed, in hopes of bringing pressure to bear upon President Nasser. Mr Chou En-lai waited uneasily in Cairo and Alexandria, unable to come, unable to go. The delegates of one black African state after another slipped away or did not turn up; President Nyerere announced rather ostentatiously that he would be seeing President de Gaulle in Paris on the day the conference was supposed to start. The absence of black Africa made the Arab group's position decisive; if it reneged there might be left only the Chinese, the Indonesians and China's two faithfuls, North Korea and North Vietnam, for a conference.

In the event President Nasser turned thumbs down. It was plain that so few African states would attend that the label "Afro-Asian" would become a bad joke. The twice-postponed foreign ministers never met officially. On Saturday, June 26th they were herded out to the conference site at the Club des Pins, only to be told when seated that it was a mistake and that the preparatory committee was meeting instead in town. Some swearing loudly and some softly, but nearly all swearing, they got up and left.

The bomb-scarred, waterless, unfinished building was abandoned to its sad Japanese trying to instal electronic equipment in rooms without electricity, to its English carpet-layers complaining that the Algerians had painted the rooms after the carpets were laid, and to its Algerian workmen thinking out new places to write up "*Vive Ben Bella*." A face-saving formula was found which delayed the whole thing to November 5th (Guy Fawkes day), and everyone began to think of the best way of getting out of Algiers.

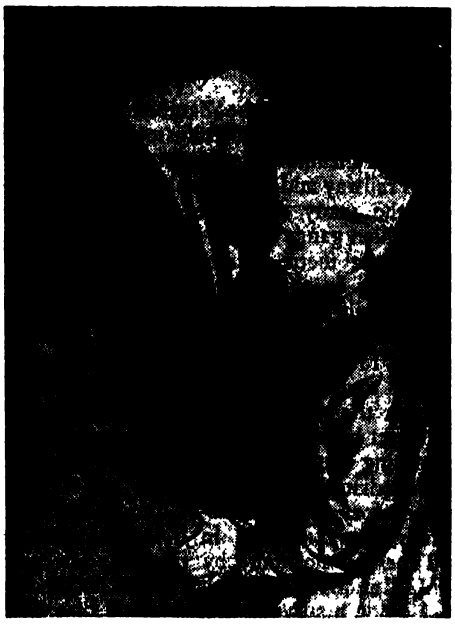
AFRO-ASIAN CONFERENCE—2

Warm handshakes, cool glances

POLITELY consoling, the Cairo press has pointed out that events in Algiers did at least enable Mr Chou En-lai to stay longer in Egypt. They have indeed. The Chinese prime minister arrived in Cairo on June 19th for a three-day call; he stayed until June 30th, enjoying a far smoother and more homogeneous "little summit" with Presidents Nasser and Sukarno than the tough scramble he would have had with all those moderates at Algiers. The Egyptians, who have always been vastly sceptical of the idea of holding a summit anywhere in the Middle East but in Cairo, have implied that this week's meeting there between "third world" leaders ("representing more than one-third of the human race") is nearly as effective, and a lot more comfortable, than the cancelled one. Possibly Mr Chou is rather less grateful to President Nasser for finally killing the Algiers meeting than the Egyptians imply he should be.

For the Egyptians themselves there were some delicate problems of hostmanship when, last Saturday, a missing third world leader, Mr Shastri, touched down briefly at Cairo airport on his way home from London. Reportedly, this happened at the very moment when President Nasser and Mr Chou were preparing to greet President Sukarno as he stepped off his plane from Jakarta. But the new Cairo airport has many lounges, President Nasser is nimble, and all was well: President Sukarno was greeted and Mr Shastri cheered on his way without the Chinese and Indian leaders so much as catching a glimpse of each other. Tactfully, it was two days later that President Ayub Khan arrived in Cairo for a slightly longer touch-down. After a two-hour meeting with the other three, he went on his way, his place at the mini-summit being taken on Wednesday by Mr Bhutto, his foreign minister—a mild gesture of semi-detachment, perhaps.

Cairo is still playing its reactions to the Algerian coup as cool as it can. The swift commuting of ministers between Cairo and Algiers continues; no news reassuring to his friends has yet been released about the fate of Mr Ben Bella. Nothing much has been made of the arrest of several Egyptian teachers in Algeria; the men in question have been flown back to Egypt but the step



Nasser, Shastri—passing through

has not yet been taken of recalling all Egyptian (and Iraqi) teachers and other experts. Mr Haykal, the influential editor of *Al Ahram*, has reported at length, and reasonably objectively, from Algiers: he discounts the wilder charges against Mr Ben Bella, estimates that 70 per cent of the country would support him if they could, and clearly has no time for the youthful assertiveness of the powerful foreign minister, Mr Bouteflika. There is no doubting Egypt's disquiet about the new regime; on the other hand, an outright quarrel (at least until the strength of the opposition can be better assessed) could only be damaging to both sides.

The one Arab country to have no reservations in welcoming the new Algerian leaders is Syria. The Baathist government in Damascus was the first country to recognise the new order, and has continued to enthuse about the future of "collective leadership" in Algiers—and to attack Cairo for throwing obstacles in its way. The Tunisians, too, have aimed their criticism at Cairo rather than at Algiers.

Outside the Arab world, the Algerian regime's most genuinely cordial welcome has come from the government of France; one of the fiercest attacks from the French communist newspaper *l'Humanité*. The newspaper's campaign has developed into something of a vendetta since its correspondent was bundled out of Algeria for reporting "massacres in Bône and Philippeville"; the paper does not in this reflect the official attitude now taken by the Soviet Union. In Paris the general view being expressed is that, while relations between France and Algeria were not bad under Mr Ben Bella, they will be even better with him out of the way. For one thing, Paris hopes that his successors will spend less time on striking political attitudes and more on getting the economy straight: a healthy sign was the resumption this week of the Franco-Algerian oil talks that were broken off briefly at the time of the coup.

Certainly the Algerian leaders seem to have passed the message round that they will not stand for foreign interference or for Algiers being used as a market-place for foreign propaganda. In the West, this is being taken as applying particularly to communist propaganda; a sign that this may, indeed, be so is the quick and angry reaction from Cuba. On Wednesday, Colonel Boumedienne tacitly replied to the attacks from Cuba and the west European communist press. In his first speech since the coup, he emphasised that Algeria needed no advice from abroad on how to build its socialist society. He referred scathingly to Mr Ben Bella's communist "advisers." On the other hand it is highly improbable that the Algerian army, with its reliance on Russian arms, would want to do anything that might precipitate a quarrel with the Soviet Union.

At mid-week, the names of the members of the new revolutionary council had still not been announced; it seemed that the colonels were having some trouble in building a respectable civilian base for their regime. Skipping a step, there was a certain wonder about how long Colonel Boumedienne's alliance with Colonel Tahir Zubairi, the chief of staff, and Mr Bouteflika, the foreign minister, would last. This is for the future—though possibly not the very distant future. In the meantime, Colonel Boumedienne and his colleagues have managed indirectly the seemingly improbable feat of getting Moscow and Peking to speak with a single voice: both communist capitals have agreed that the postponement of the Algiers conference was a rebuff for the intrigues of imperialist forces.

EGYPT

Lake in the desert

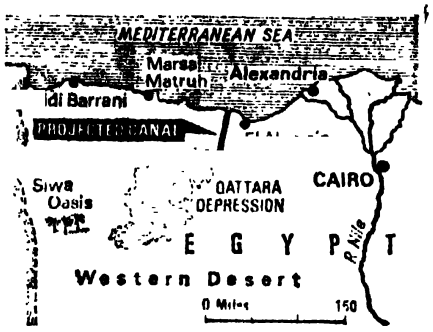
FROM OUR CAIRO CORRESPONDENT

IN 1942 Rommel failed to occupy Egypt and lost the battle for North Africa because his tanks were held to a narrow forty-mile line between El Alamein on the Mediterranean and the great impassable Qattara Depression. Thirty west German engineers and geologists, with mine disposal experts clearing the ground before them, have now almost completed a year of studies of a project that would bring the Mediterranean into the depression, transform it into an inland sea the size of Wales and in doing so produce twice as much hydro-electric power as the Aswan High Dam.

The idea goes back to the 1920s but it was not seriously considered as a practical possibility until some years after the 1952 revolution; before then, Egypt's consumption of electric power did not seem to justify the heavy cost of digging a 50-mile canal. Industrialisation—and especially the second five-year plan with its emphasis on heavy industry—has transformed the prospective demand for power. At the same time, cheaper methods of earth moving, including the possibility of underground atomic blasting, make the whole idea more feasible.

The Aswan High Dam will not produce its vast supply of energy evenly throughout the year. The dam's primary purpose is irrigation and the farmers' peak demand for water is between December and May. Then there are the daily periods of peak demand for power in factories and cities at midday and after sunset. The advantage of the Qattara scheme is that its production of power could be adjusted without much difficulty to supplement the High Dam during the main irrigation season, and to supplement the national supply during peak hours each day.

The basic principle of the scheme is simple enough. Along the northern rim of the depression there is a ridge which rises to 230 metres above sea level; the floor of the depression is 130 metres below sea level. A canal would be built southwards from the Mediterranean and extended by tunnel into the heart of the ridge. There, a 55-metre drop in the tunnel would be used to pump the water—during off-peak hours—up to the top of the ridge where a natural basin has been located. From there, the 360-metre drop to the floor of the depression would make it possible to install very powerful turbines.



The depression has no outlet so it should fill steadily, but because of the burning desert that surrounds it the evaporation rate will be very high. After 50 years the surface of the lake should have risen to 70 metres below sea level, and after 75 years to 60 metres; and here the German engineers estimate it should stay. The lake would have an area of 12,000 square kilometres and the evaporation rate is likely to be 19,000 million cubic metres a year or 600 cubic metres a second (equivalent to a drop in the level of the lake of 150 centimetres a year). The sea water, becoming increasingly salt, would reach a proportion of 38 per cent or saturation point in 125 years; after this the salt content would remain constant until it crystallised in about a thousand years. An advantage of the lake being sixty metres below sea level is that it would be just too low to affect the underground water supplies of the Siwa Oasis on the south-western rim of the depression.

The Qattara scheme always seemed to have an element of fantasy about it but the hard-headed German engineers are confident that it is perfectly feasible. Studiedly unaffected by the current political hostility between Cairo and Bonn, they comment that work on the scheme cannot begin for another three or five years—by which time the High Dam will be finished. The cost of the scheme will probably be between £100 million and £140 million. According to one estimate, the cost of the power should work out at between half and two-thirds of a penny a unit.

Probably the new lake will have the effect of changing the climate of the whole area; the prevailing west winds should blow rain clouds against the northern ridges of the depression. With fish in the lake (until it grows too salty) and industry and tourist resorts around its shores, the Egyptians dream of an entirely new inhabited province in the desert.

Announcing a new, smaller world:

The first and only 'round-the-world All-Cargo Jet Freighters.

Ship anywhere in the world... faster and easier than ever before.

Now, for the first time, regularly scheduled All-Cargo Jet Freighter flights, operating both eastbound and westbound, are circling the globe. These Jet Freighters serve 20 major cities: Shannon, London, Frankfurt, Stuttgart, Munich, Vienna, Beirut, Karachi, New Delhi, Bangkok, Hong Kong, Tokyo, Honolulu, San Francisco, Detroit, Washington,† Baltimore,† Philadelphia,† Boston, and New York.

If you want to ship to or from some *other* city, there's no problem. Easy connections are available to virtually every city in the world. At New York, your shipment can go aboard one of our All-Cargo Jets to Latin America. (These are the only All-Cargo Jets to Latin America.) Your pallets are loaded, and sent straight through. This is the same thru-pallet, one-carrier service that's now available for the first time between the Far East, Europe and the U.S.A.

Got big shipments? No problem, either. Even really bulky items go through the huge doors and into the immense interiors of our All-Cargo Jet Freighters. Our Jets have a capacity of over 45 tons. That's why there's always plenty of room for your shipments.

For more information call your Pan Am Cargo Agent. Or call us.

†Optional stop.

World's largest Air Cargo carrier • **World's most experienced airline**

First 'Round the World — First on the Atlantic — First on the Pacific — First in Latin America

THE WORLD □ AMERICAN SURVEY

Vietnam's Dangerous Priority

WASHINGTON, DC

NEVER happy in its touch with the United Nations, the Johnson Administration has been able to achieve little lately in that quarter beyond a deepening mutual incomprehension. Some people hoped that the twentieth anniversary celebration at San Francisco, which the President addressed on June 25th, might be the moment to start an improvement, but Mr Johnson's luck, or U Thant's, was out. The President went to San Francisco as a gesture of good will, but he went with little to say. His complaint about aggressive behaviour by the Communists in the Far East was routine and produced in reply a routine burst of acrimony from the Soviet representative. His invitation to the United Nations to use its influence in favour of starting negotiations about Vietnam was not uninteresting as an assertion, yet again, that a negotiated settlement is what the United States wants. But it did not open up any new approach to the Vietnamese problem or reflect any belief that a negotiation was possible.

Several problems do exist, of interest to the United Nations, to which the Administration has been actively giving attention, but none had reached a point at which the President felt prepared to propose anything or offer anything. First might come the need to release the United Nations itself from its financial predicament and from the paralysing dispute about unpaid assessments. Within the Administration there has been plenty of discussion of new proposals, but it would probably take a judgment by Mr Johnson himself to resolve the disagreements that still exist. If Mr Johnson has decided in his own mind what he intends to do, he is not ready to reveal it yet. Thus an uncomfortable silence has been allowed to follow the gesture made by Britain with some other governments when, on June 21st, they announced unconditional contributions to United Nations funds. The President had said at his news conference a few days before: "We don't want to see the UN wrecked because of a dollar" and had seemed then to hope that at San Francisco he might have something more definite to offer.

Quite possibly it was the state of business in Congress that caused him to delay. More than most Presidents Mr Johnson lives day and night with the problems of getting his legislative programme through. Much on his mind at present is the thought of the Foreign Assistance Bill, now in the final, but rough and hazardous, stage of its passage, the conference to reconcile the different versions adopted by the Senate and the House of Representatives. He may well find this not the moment to talk to Congress about spontaneous extra contributions to patch up a matter on which the Administration, having taken a firm stand on principle with categorical support from both houses of Congress, has had to put up with a humiliating rebuff in the United Nations.

Leaving aside the still flourishing debate on the rights and wrongs of the Administration's actions in Vietnam, informed discussion of foreign policy has begun to reflect a mounting concern with arms control. This is not a matter which the Administration is unaware of. On the contrary, it has done a good deal to stimulate interest. Within the huge machine of government are many serious and estimable men pondering such matters as the reconvening of the Disarmament Committee of the 17 or 18 governments at Geneva, the possible elements in a revised set of comprehensive disarmament proposals, the extension of the treaty banning nuclear tests and, uppermost at the moment, a treaty to prevent the proliferation of nuclear weapons. Where the Administration is vulnerable is in its failure, in its preoccupation with immediate matters and, above all, with Indochina, to allow these studies to come to fruition with specific proposals which the United States might put forward and promote in the international forums. This is the serious burden of complaint against Mr Johnson's performance on foreign policy and the San Francisco disappointment has merely given extra edge to it.

THE questions raised concern not only the proper order of priorities for foreign policy, but also how the machine of government can best be made to work, so that matters recognised as important can get attention at the top. The country has, inside and outside the government, no doubt far more brainpower engaged in studies of arms control than the rest of the world put together. The arguments are marshalled, the possible courses of action are set out lucidly. But when a proposal like the extension of the treaty banning nuclear tests to prohibit tests underground as well approaches the point of adoption as government policy, many conflicts of interest arise on which the President alone can adjudicate. Whether the Administration would in fact be prepared to conclude such a treaty is certainly no clearer now than it was a year ago. The Director of the Arms Control and Disarmament Agency, Mr William Foster, in an important article in the July issue of the quarterly magazine *Foreign Affairs*, turns attention in another direction, that of a treaty to prevent the proliferation of nuclear weapons. His argument is that, if the spread of nuclear weapons is not stopped while there are no more than five or six nuclear powers, it will become difficult to stop at all; that as the number of nuclear powers increases, the probability "almost certainly" increases that nuclear weapons will be used; and that a non-proliferation agreement is in the American and Soviet, as well as the world, interest and ought to be pursued urgently.

To conclude from this that President Johnson was about to take the advice of his chief disarmament adviser and launch proposals for a non-proliferation treaty would, however, be rash. Perhaps the President thinks the moment inopportune; or perhaps he simply has too many other things to occupy his mind. He did appoint a committee to study the matter, presided over by a former Deputy Secretary of Defence, Mr Roswell Gilpatric. The Gilpatric report was sent to the President in January, but has never been published. Evidently there are disagreements between the departments. Mr James Reston argued in the *New York Times* on June 25th that the real trouble was that the Administration "is not yet organised to deal simultaneously, as it must, with a wide range of critical foreign questions, nor has it devised any visible order of priorities for dealing with these problems."

Mr Reston's reflection was prompted not by the appearance of an article in a stately quarterly magazine by the head of the Arms Control and Disarmament Agency, but by a much more explosive occurrence, a speech by Senator Robert Kennedy on June 23rd warning the Administration of the dangers of inaction. This, Mr Robert Kennedy's first major speech on the Senate floor, can

perhaps fairly be taken as a stage in the emergence of a settled Kennedy-led opposition to the Johnson regime. While the text was made available to the President in advance, its delivery came uncommonly close before his trip to San Francisco and the wry comment from the White House made it plain that the reminder of what he ought to be thinking about, at that moment and from that source, was not exactly welcome. As a reminder, it was emphatic. Senator Kennedy said that " at least a dozen, perhaps a score " of countries in addition to the present five were now in a position to develop nuclear weapons within three years. Two of them, Israel and India, could fabricate an atomic device within a few months and their doing so would cause others to redouble their efforts. To halt the spread of nuclear weapons ought to be " a central priority of American policy " and the demands of day-to-day decisions ought not to be allowed to obstruct it. In particular, Mr Kennedy added, the Administration could not afford to wait for peace in South-east Asia or for a general settlement in Europe. He urged immediate negotiations with the Soviet Union for a treaty to bind nuclear powers not to transfer either the weapons, or the capacity to make them, into other hands ; to pledge other countries not to acquire or develop them ; and to extend a treaty guarantee against " nuclear blackmail " to powers renouncing the right to acquire them.

THIS question of giving treaty form to the rather general assurance uttered by President Johnson after the first Chinese nuclear explosion last October has been much under discussion. Ideally, it would need to be a joint guarantee by the United States, the Soviet Union and others. The British government favours such a treaty. Within the American Administration there are conflicting opinions. One objection is that a blanket guarantee might enable a non-nuclear power to drag the great powers into nuclear war by reckless behaviour. Another, which has gained force in recent weeks as world relations have gone downhill under the strain of the fighting in Vietnam, is that such an agreement with the Soviet Union, or indeed any agreement, would be impossible to obtain just now. This is, indeed, the objection to any international initiative at present. American diplomacy is kept inactive by the belief that little or no prospect exists of any important agreement with Moscow until the Vietnam conflict has been brought to an end and that the chance of ending that conflict by negotiation, unless the way is first prepared by a military success, is virtually non-existent.

Opinions differ on the precise reasons why this year's stepping-up of military activity in Vietnam has ended, for the time being, the hope of continuing the improvement of relations with Russia and of making progress towards world peace. On any subject connected with the cold war, serious men can be found to maintain that bad relations with the United States make it easier for Moscow to hold its own in its quarrel with Peking and are therefore more convenient to Moscow than good relations. The less hopeless view can, however, be heard that Moscow has been forced by the events in Vietnam, to its regret and against its will, to abandon any appearance of seeking American friendship. In this view, a peaceful termination of the conflict in Vietnam would enable the effort to improve American-Soviet relations to be resumed. Even this view is not particularly cheerful. A negotiation on Vietnam is nowhere in sight. The Administration believes firmly that it will not come in sight until the tide of the fighting can be turned to some extent in the West's favour. But the tide is still running in favour of the Communists. To turn it will require a sustained military effort, perhaps doubled and redoubled, over at the very least several months. The belief is cherished that this can be done without enlarging the war, but it is a belief well short of certainty. And if bigger dangers have to be accepted, the prevailing mood is for accepting them.

Boom in Tax Cuts

IF this week's recovery on the stock market is maintained, the last cloud over the American shop-keeper's summer will have been lifted. Wall Street's uncertainty about the future might have discouraged the consumers who began to spend lavishly again in May and are expected to spend even more lavishly now that federal excise taxes, affecting over a thousand different items, have been taken off practically all articles, except for alcohol and tobacco, sold in shops. In welcoming the Tax Reductions Act President Johnson urged manufacturers and retail traders to pass the full benefits along to their customers—and warned them that he would be watching to see that they did.

Little or no difficulty is likely about the 10 per cent tax which has been paid at the retail level on jewellery, furs, handbags, luggage and cosmetics ; New York's famous jeweller, Tiffany's, closed for 24 hours to rewrite price labels. But it is more difficult to work out the relationship between retail prices and the excises which have been paid by manufacturers on motor cars, sporting goods, television and wireless sets, fountain pens, photographic equipment, household appliances and various other articles. With some of them being sold at a discount already, with new models coming in, with profit margins varying—and with state sales taxes going up in many cases, it is hard for the customer to know whether prices have been reduced by as much as he has the right to expect. But the pressures of business competition are on his side and, once things have settled down, his purchasing power seems almost certain to go up by the full, or almost the full, amount of the tax cuts.

The resultant increase in consumer demand is essential if the excise reductions are to provide the maximum stimulus for the economy and give the boom a new boost, as they are supposed to do. This is the second tax cut since President Johnson took office and already a third one is forecast, to help the poor people who most need more purchasing power. So far the tax burden has been reduced by about $18 billion a year but federal revenues have not been reduced at all—while the deficit on the federal Budget has. Preliminary figures for the 1965 fiscal year which ended this week put that deficit at only $3.6 billion, the smallest since 1960's surplus, compared with an estimate of $6.3 billion in January. Partly this is because spending was down but mainly it is because the government's income was higher than forecast. There is now talk of a balanced Budget in 1967 and of a surplus thereafter. Today this is ominous talk, which is why there is growing discussion of a third round of general tax reductions or of some other means of countering the downward drag of government surpluses on economic growth and of enabling Americans to use their ever-expanding productive capacity to the full.

Housing's Close Call

WHAT is always referred to as the housing Bill is, in fact, the Bill to aid cities. On Wednesday, when the House of Representatives authorised $5.3 billion for the coming four years, it was providing money for a bigger programme of urban renewal, for public housing and grants to enable communities to provide parks and playgrounds, as well as for the more conventional programmes of federal mortgage insurance. As a whole the Bill secured the comfortable majority of 245 votes to 169. But the only Johnsonian innovation before the House—rent supplements for poor people—squeaked through by only 208 to 202 votes, although the President had called it " the most crucial new instrument in our effort to improve the American city." Such supplements will bridge the gap between the cost of the cheapest decent private accommodation and 25 per cent of a family's income. The vote was the narrowest escape so far for any of the President's " Great Society " legislation

NOW!...Chemical New York banking services in London's West End

With the opening of our new West End Branch at 13 Davies Street, just off Berkeley Square, Chemical New York now maintains two Branches in London — in the heart of Mayfair and in the heart of the City. A further sign of the continued growth of our business in London and overseas, our Davies Street Branch offers for your convenience the same complete range of business and personal banking services as our City Branch at 10 Moorgate.

One of the world's ten largest banks, Chemical New York today serves finance and industry in more than 145 countries around the globe. This wide experience of local and international business affairs is at your disposal — our highly-trained staff is at your service.

Chemical New York

13 DAVIES STREET, LONDON W.1. Telephone: HYDe Park 2921

City Branch: 10 Moorgate, London E.C.2. Telephone: MONarch 8040. Cables: Chembank, London

Head Office: 20 Pine Street, New York 10015. Representative Offices in Paris, Caracas, Mexico City and Manila. Correspondent Banks with more than 50,000 offices throughout the World.

and to keep enough Democrats in line the authorisation was reduced from $200 million to $150 million over four years.

Congress is also changing the nature of the rent supplements. The Administration proposed that they should be provided for people whose incomes were too high for them to be eligible for public housing (the American counterpart of Britain's subsidised council housing) but who still could not afford decent private accommodation. What the House has given Mr Johnson (the Senate seems to be prepared to follow suit) is an alternative to public housing; only people with incomes low enough for this would be eligible for rent supplements. Given the unpopularity of public housing in the past decade—few of the big cities have taken full advantage even of the minute federal programme of aid for it—the transformation can be defended, though most people connected with public housing oppose it. But if supplements are needed to stimulate building for those with moderate incomes, the supplements will have to be much larger for the really poor; the money now authorised will not go far. Nor will it give much stimulus to residential building, now in the doldrums, though easier mortgage terms for ex-servicemen, also in the Bill, should help.

Rent supplements attracted all the lightning. But before the Bill came to the floor the cause of rational planning had suffered a defeat; there is to be no federal aid for developers of new towns, an idea fiercely opposed both by most private builders and by the Mayors of big cities. The real victory for metropolitan man had come earlier. The House has given Mr Johnson what it denied Mr Kennedy twice: a new Cabinet Department of Housing and Urban Development. This will have no more powers than the existing Housing and Home Finance Agency, but it will speak for the cities with greater authority—provided the Senate agrees—and will almost certainly put a Negro, Mr Weaver of HHFA, in the Cabinet for the first time.

Presidential Protection

After two months of haggling, a conference committee of members of the Senate and of the House of Representatives has agreed on an amendment to the Constitution to clear up the confusion over what should be done when there is a vacancy in the Vice Presidency and when a President is disabled. The conference, ironing out the differences between the versions passed by each chamber, had little trouble laying down the main rules which will be followed if the amendment is added to the Constitution; it must be approved in its new version by two-thirds of the members of both houses of Congress and then by 38 State Legislatures (three-fourths of the total) which is likely to take a year, if not two. When there is no Vice President (as there was not for more than a year after November 22, 1963) the new President will choose one, subject to the approval of both houses of Congress. In the more complicated circumstance of a President too ill to perform the duties of his office the following procedures would be observed; if the President declared himself incapacitated, the Vice President would become Acting President; if the President were unable to make such a declaration, the Vice President could assume his duties if the majority of the Cabinet agreed; and when the President felt ready to go back to work, he would declare his intention in writing to Congress.

But what if the Vice President felt that the President was unfit to resume office? It was on this most worrying, if least likely, of the possibilities to be considered that the House and Senate teams were deadlocked for so long. They agreed that a two-thirds vote of both houses of Congress would be necessary to keep the Vice President as Acting President over his superior's wishes, but how long should debate go on? The House set ten days as the limit; the Senate set none (which opened vistas of endless speech-making in Congress while the reins of power dangled). What finally has been decided upon is a deadline of twenty-one days. After that, if Congress reaches no decision, the President automatically resumes his authority.

The impetus behind this amendment, which began with President Eisenhower's heart attack in 1955, was intensified by President Kennedy's assassination. That tragedy may bring about yet another change in law; last week the House of Representatives approved a Bill making it a federal crime to kill the President (and some others in the line of succession). Had this been in force in 1963 the Federal Bureau of Investigation and not the local authorities would have taken charge in Dallas following the President's murder. The maximum penalty for assassinating the President would be death—the same penalty which existing federal laws provide for the murder of other government officials from judges to postal inspectors. The Bill could hardly suggest a lesser punishment for killing the President. Even so, the *Washington Post* hoped that the federal government would soon abolish the death penalty for crimes over which it has jurisdiction. Thirteen States have already done so, five of them within the past seven months. New York State and several others have retained, however, the right to execute killers of policemen or prison guards.

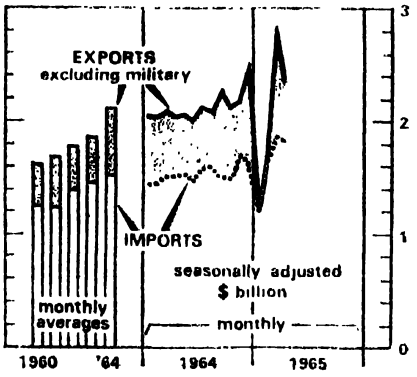
Ships on Strike

The major seamen's unions extended their contracts when these expired on June 15th but three unions—those of the deck officers, engineers and radio operators—are now on strike mainly against government subsidised lines. Nearly two hundred ships are now tied up in Gulf and Atlantic ports and more are being added every day, including passenger liners at the peak of their season. In all, about a third of the 900 ships in the merchant marine may be affected if the strikes are not settled soon. They are not over wages but over grievance procedures, pensions and reductions in the size of crews; the government, like the employers, is pressing for the latter but the trade unions are resisting.

So far, the present stoppage has not done much damage to American foreign trade. But in the background hangs the threat of a larger strike if no settlement is reached by mid-August and this might do real harm to American exports. If it comes it will be, in a sense, against the federal government. The unions say that there can be no meaningful negotiations until the government makes clear its policy on a whole series of matters affecting the profitability of shipping. The trade unions want to know whether the government will back subsidies for bulk carriers; they ask if it will make new jobs for seamen displaced by automatic equipment—perhaps by requiring the carriage of more of America's

UNITED STATES FOREIGN TRADE

April's trade figures were still distorted, as March's had been, by the aftermath of the dock strike at the beginning of the year. Nevertheless the sharp drop in exports suggests that, not unexpectedly, the surplus on the trading account, the one really strong factor in America's balance of international payments, may fall off this year, even if the present shipping strike does no serious harm.



foreign trade in American ships. A year ago the Administration appointed a group to study such issues; last week it received from a subcommittee recommendations that both operating and construction subsidies should be extended to bulk carriers and that 30 per cent of the oil which America imports should be carried in American bottoms.

But before new construction subsidies were granted the trade unions would have to agree on manning schedules with the employers to avoid prolonged labour disputes like those which helped to immobilise the nuclear merchant ship *Savannah*. (It has just been turned over to a private operator this week.) In return, some of the savings from smaller crews would be used to help displaced seamen to find new jobs. The Secretary of Commerce has already appointed a new inter-departmental task force to review these recommendations, and the whole question of federal spending on the merchant marine, "with dispatch." It is needed.

On the Bench

1. One for Mississippi

WHAT is a "moderate" on racial segregation? That label, attached to Mr James Coleman, a former Governor of Mississippi, has not kept a storm from breaking over his nomination by President Johnson to fill a vacancy on the United States Fifth Circuit Court of Appeals. The Fifth Circuit, with jurisdiction over Alabama, Florida, Louisiana, Georgia, Mississippi and Texas, is more deeply involved in civil rights cases than any other federal court in the country and its appointments are for life. With this in mind, Negroes are not going to dismiss the fact that in campaigning (unsuccessfully) for his second term as Governor, Mr Coleman boasted that he had staved off racial integration at the University of Mississippi by having a potential applicant put into a lunatic asylum. But there are arguments in Mr Coleman's favour. First of all, he meets the formidable requirements set by tradition for the job: he comes from the same state as the man whose death created the opening, he has the approval of the two Senators from Mississippi, he has influence within his state yet is by no means rabid on the racial question and he can be expected to uphold federal law. Moreover, he has had vast experience, both in private practice and in the state's legal system.

In naming Mr Coleman the President has preserved the delicate balance which has prevailed in the Fifth Circuit over the past four years—five judges to four favouring racial desegregation. He saw that the liberals did not suffer from the death last year of another member of the same court; he has filled that vacancy with a friend from Texas, Judge Homer Thornberry, a man of liberal views. But upset as Negroes are to see Mr Coleman elevated to his powerful post (his appointment must still be approved by the Senate), they should take consolation in the progress of a new Bill (approved by the Senate Judiciary Committee and the House of Representatives) providing, among 38 new judges, four temporary additions to the overworked Fifth Circuit. Having appeased Mississippi with Mr Coleman, the President will presumably be able, with four new appointments, to tilt the balance on the side of enlightenment.

2. Oh, Oklahoma!

IT is something of an understatement to say that Oklahoma's elected judges have brought its courts into disrepute. Last month a member of the State Supreme Court—Justice Napoleon Bonaparte Johnson—was impeached on charges that he had accepted bribes to influence his decisions. Another Justice escaped impeachment proceedings only by resigning. Both have been indicted by a state grand jury. Since then a former member of the court, who had just served a prison sentence for evasion of income tax, has testified that three present members of the court had accepted bribes and contributions toward the expenses of election from the former Mayor of Oklahoma City, Mr Cargill. Mr Cargill has just been convicted on three charges of perjury arising from testimony on bribes paid to members of the court.

The election of judges is a legacy, not peculiar to Oklahoma, of the frontier and populist belief that the ordinary man was capable of discharging any office and that all officials should be directly responsible to the voters. The shock and shame of the present scandal may persuade Oklahomans to accept proposals for judicial reform, but this is by no means certain. The Governor, Mr Bellmon, has appointed a committee to submit recommendations but its head is not sure that he can persuade the committee—let alone the jealous Legislature—to accept the so-called Missouri system. Under this reform, judges of the State Supreme Court would be appointed by the Governor and their names submitted to the voters only after a period of probation. Mr Bellmon, the first Republican to be elected Governor since Oklahoma became a state in 1907, blames the scandal in part on the fact that it has been a one-party state for so long. Some of the accused judges—two of whom are American Indians and all of whom are Democrats—could have been among its founding fathers: the one alleged to have been the ringleader in accepting bribes is 80 years old; two others are in their early seventies.

Disputed Patents

FROM A SPECIAL CORRESPONDENT

THIS is the 175th year of the American patent system which since April, 1790, has been promoting "the Progress of Science and Useful Arts" on a scale far greater than its founders could have dreamed of. So far the celebrations have produced more heat than light. On the official birthday President Johnson announced the creation of a new President's Commission on the Patent System, "to make the first basic study of the system since 1836" and to report back in April, 1966. Two months later the members of that commission have yet to be announced. Meanwhile, the critics are disputing the use of the words "first basic." For years the Judiciary Committee of the Senate has been making a protracted study of the system, enlisting the aid of a subcommittee headed by Senator McClellan and inviting the assistance of industry, inventors and the patent bar. This followed a detailed study made in the late nineteen-forties which led to the complete rewriting of the patent statutes, including some dating from 1790, into what is now known as the Patent Act of 1952.

In 1963 President Kennedy issued a memorandum laying down government policy on discoveries made in connection with work done under government contract. At the time this was considered a first step in the establishment of a patent policy to operate in an increasingly important field; the government now spends about $15 billion a year on research and development, some $12 billion of this under contract with private industry. Certain agencies—the Atomic Energy Commission, for example—are covered by specific legislation. Under the Kennedy memorandum the rest must retain title to patents in certain fields or where the governments contribution, in technology or facilities, was dominant. But in other cases they may waive the government's claim to discoveries, particularly if these are due to the contractor's own competence, if they are not the primary purpose of the contract or if private development is felt to be in the public interest. To Senator Long of Louisiana, the Democratic second-in-command in the Senate, this incentive to private contractors amounts to giving away what belongs to the taxpayer and he has attached amendments to one

Act after another requiring that all discoveries made in the course of government-financed work should be freely available to the general public. This year, however, he has been turned back twice, over patents arising from space research and over discoveries in the field of health.

In the hearings now being held by Senator McClellan's subcommittee the Kennedy guidelines are provoking much discussion, suggesting that they have not proved entirely satisfactory in practice. On the one hand, Dr Hornig, who is Director of the Office of Science and Technology, has defended the Kennedy policy as having shown itself " basically sound " in operation. On the other hand, three Senators have introduced Bills to clarify or amend it. One, Senator McClellan's, would give legislative backing to the Kennedy memorandum, with a few alterations. Senator Long, as was to be expected, is backing a measure to give the government exclusive right to inventions made in the course of work which it finances, with only limited exceptions. The third, which has been introduced by Senator Saltonstall, goes to the other extreme to encourage the private exploitation of such discoveries. In some circles, Senator McClellan's bill is expected to be passed by Congress next year, but first it may have to be approved by the President's new commission, which will no doubt give much attention to this area of dispute.

Other aspects of the patent system attract less notice. In its first 175 years the Patent Office has issued more than 3 million patents. Over its hard-working life it has been praised for stimulating inventiveness and condemned for sustaining unholy monopolies. The President's Commission, when its members are appointed, will start with the basic fact that a patent is in essence a government grant of monopoly rights to manufacture the invention for which the patent is asked ; these rights run for seventeen years. After that time, it is assumed that, whether the idea has proved profitable or has died by the wayside, it should move freely into the public domain. The Patent Office receives some 1,600 applications a week and granted 44,400 patents in 1964 ; in the public mind, these are permissions to make a fortune.

Not all turn out that way ; some do so in a curious fashion. A bane of the system, which is now under attack, is the " sleeper " patent, never put to work, which for seventeen years may keep another inventor from patenting a similar device which he is eager and ready to manufacture. This deprives the public of, say, a zip fastener that never sticks. On the other hand the owner of the sleeping patent may make easy money by charging some firm, which has put a similar idea into practice, with infringing his patent. The possibility of such a charge, whether true or not, hangs heavily over successful companies.

One remedy which has been proposed is to copy a provision which has been effective in Britain: a patent maintenance or " upkeep " tax to be imposed on all inventors who secure patents. In theory (and in British practice) this would spur him either to put the patent to work or to let it lapse. But the Senate has just refused to accept such a tax although the House of Representatives has twice voted for it. The " sleeper " aspect of patent ownership has been sharpened by two trends in the patent world: first, the continuing shift from the independent inventor to the employee, or group of employees, working for a big corporation ; and second, the equally long-term shift from the basic mechanical patents of earlier days to today's torrent in the modern fields of chemistry, electricity, pharmaceutical products and metallurgy. Perhaps because so much of modern invention is concerned with laboratory work, demanding expensive equipment and collective effort, that familiar and beloved figure, the garret inventor, is fading away ; three quarters of today's patents are issued to corporations. Yet certain spectacular specimens still emerge. One of them is Mr Chester Carlson, inventor of that highly profitable technique of reproducing documents called xerography, who was honoured at the birthday dinner in April.

In proportion to the size of the population and the growth of the economy the number of patents issued annually has fallen behind what it was in 1920. At the same time, the value of the patent system to industry comes under sporadic attack. Senator McClellan's subcommittee, sending out questionnaires to corporations which hold patents, found that while their value varied from industry to industry and was most vital to the small ones, a few of the big ones felt that trade secrets and know-how were more important in the long run. The absence of an international patent system is another flaw. Industry also complains that the Patent Office is glacier slow and that its procedures are ponderous. (It admits to a back-log of 218,000 applications awaiting examination and concedes that the patents granted will have been pending for over three years if the present pace is not stepped up.) In defence, the Patent Office pleads that its funds are so inadequate that it is losing nearly a fifth of its highly skilled patent examiners every year. This is receiving anxious attention. Meanwhile, both the Senate and the House have passed Bills to raise the fees charged to applicants for patents. Congress is also urging the Patent Office to find ways of using automatic equipment to search out the facts needed in its investigation. But this is easier urged than done.

SHORTER NOTES

Democrats hunting for an attractive candidate to oppose Mr John Lindsay, a Republican, in November's election of a successor to Mr Wagner as Mayor of New York, may have found the answer In Mr Daniel Moynihan—a young, debonair, intellectual, liberal Assistant Secretary of Labour and an Irish Roman Catholic to boot. But even if other candidates for the Democratic nomination can be persuaded to withdraw the discovery came too late to prevent the endorsement of Mr Lindsay by the Liberal party, a third force which on occasion can draw 500,000 votes. Its state chairman is to stand for president of the City Council with Mr Lindsay, who is now looking for a Democrat to add to his fusion—multi-party—team. Right-wing voters will be offered a third choice ; Mr William Buckley is to stand as the candidate of the Conservative party—a forlorn Goldwaterite fragment.

The Department of the Interior broke new ground for the federal government last week when it announced that contraceptives and guidance on birth control would be distributed to people under its jurisdiction—American Indians living on reservations, Eskimos and inhabitants of the Pacific Trust Territory. Up to now only local authorities have offered birth control services. The birth rate among American Indians, at 42 for every 1,000 people, is about double the national average.

VICKERS REVIEW

JULY, 1965

MECHANISATION TO MOVE CARGO

IMPRESSIVE DEMONSTRATION AT NAVAL YARD

A mechanised pallet deck system, designed to give speedy loading and unloading of general cargo, has been developed by Vickers Shipbuilding Group.

The new system of cargo-handling was shown to about 100 shipowners, at Naval Yard, Walker-on-Tyne from June 15th to 18th when great interest was expressed in its potential.

This exhibition also included items of cargo handling equipment such as winches, containers, container components and a proposed system for the automatic handling of containers in the ship and ashore.

The system uses containers manufactured by Metropolitan-Cammell Ltd and National Speed-loader corner castings supplied by English Steel Corporation.

At the same demonstration, Marine Equipment Division showed a model of their system for on deck, 'tween deck and on shore handling equipment. South Marston exhibited a range of conveyors designed and produced to expedite and facilitate cargo handling.

This new automatic container system represents one of the biggest advances in cargo ship technology in the past decade. It represents the application of automation to the Port industry, the movement of cargo being controlled by computer from the time it enters the land storage depots until stowed on board.

However, it is appreciated that some time may pass before the volume of container traffic justifies the full adoption of this automatic system and even then there will always be a need for ships able to carry both containers and break bulk cargo. The pallet deck system has accordingly been evolved to fill this need.

QUICKER TURN-ROUND

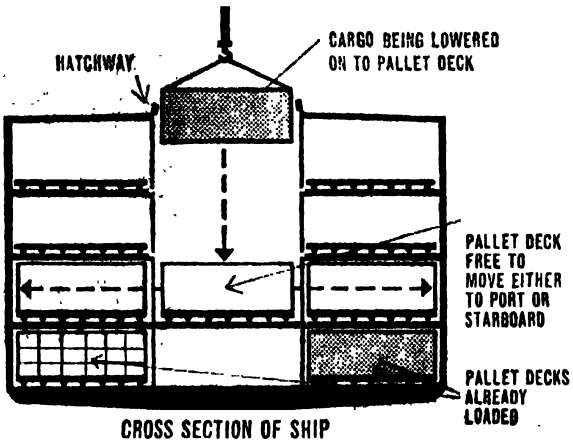
It is estimated that cargo liners spend, up to 60 per cent of their time in port, while handling can account for over half the total cost of a voyage.

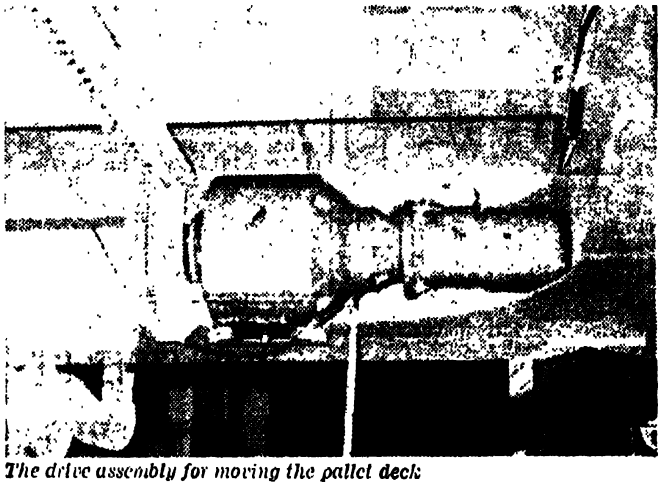
The new system will slash the time ships spend in port, cut non-productive time and reduce labour costs, as well as reducing the physical efforts of stevedores.

The pallet deck is extremely simple in concept and robust in design. The deck is mounted on fourteen small, steel wheels and is driven by a sprocket and pin rack powered by an electric motor and reduction gear unit.

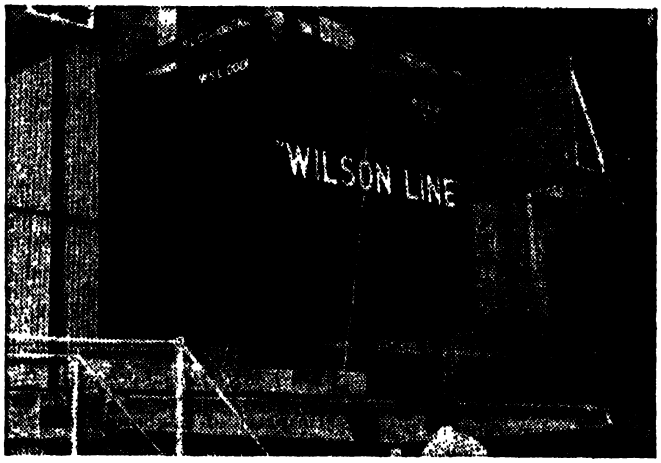
As shown in the diagram, the cargo container is lowered into the ship's hold and is spot loaded onto a mobile pallet deck. By pressing a button, the controller can move the cargo into its final position without further handling. The deck slides back into its original position and a locking device ensures that it is secure for sea.

For unloading the procedure is reversed. A button is pressed and the pallet automatically moves out into the open hatchway where the cargo can be picked up and swung outward to the landing area.





The drive assembly for moving the pallet deck



Demonstration showing container being lowered on to an automatically propelled pallet deck

UP TO 600 TONS PER HOUR

Cargo can be loaded at any deck level and in any sequence. It is stowed between decks, leaving clear space for deck cargo—thus combining the advantages of an open ship and the benefit of 'tween deck cargo stowage.

The system is suitable for handling containerised, palletised and break bulk cargo. Each deck is built to carry an overall weight of 25 tons and is designed for a container size which conforms to International Standards, e.g. 20 x 8 x 8 feet.

These can differ according to the requirements of the owners and the role of the ship.

Vessels equipped with this type of system will operate at a rate of up to 600 tons per hour per transporter, the number of which will depend on the size and type of the ship.

LESS PILFERAGE

The system enables standardisation of cargoes and round-the-clock handling. It should encourage the maximum use of port facilities and the more efficient use of railways, reducing movements by road.

No problem is involved in handling refrigerated or heated cargo as the container can be connected to a bulkhead electric socket, enabling any temperature to be maintained throughout the voyage.

Weld mesh cages, fitted to the decks, can be locked before being stowed, thus becoming pilferproof.

The initial cost of installing this revolutionary pallet deck system will be more than offset by increased returns and the ability to handle a far greater volume of tonnage per vessel, per annum.

VICKERS REVIEW

New Laker Named

CANADA, JUNE 9TH

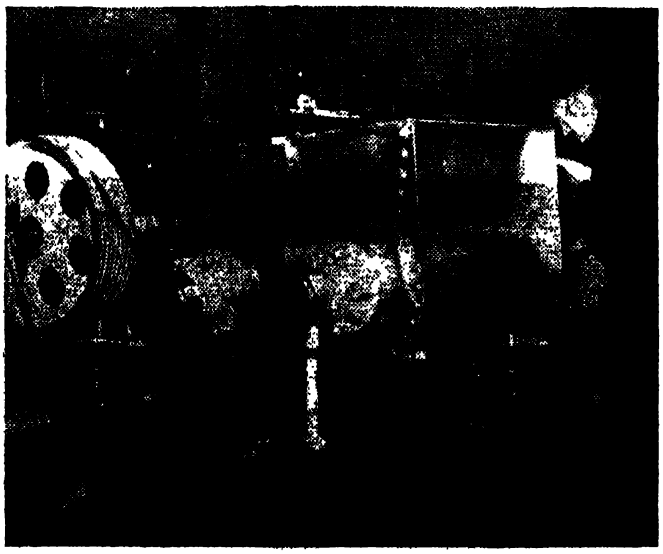
SS *Don de Dieu*, 26,100 dwt in fresh water, a highly advanced Upper Laker ship built by Canadian Vickers Limited was christened today by Mrs G. J. Svalbe, wife of the Vice President of Papachristidis Co Ltd. Built for the Distillers Corporation Ltd and covered by a hire purchase agreement in favour of Papachristidis Co Ltd, the Laker is similar to the bulk carriers *Quebecois* and *Montrealais* also built by Canadian Vickers Ltd. The ship's cruising speed is 17 mph. She is of the maximum size which can be accommodated in the St. Lawrence Seaway and has a capacity of approximately 1,160,000 cubic feet. A major feature of the ship is the Vickers Barrow-built transverse propulsion unit which provides the extra manoeuvrability to make her one of the most efficient carriers operating through the Seaway.

M15c Microscope

The Vickers M15c Microscope is a further development in the established M15 series microscopes. The M15c is suitable as a student instrument, or, with the wide range of accessories available, as a laboratory microscope. The illuminator with transformer, intensity control and colour temperature indicator are all contained within the base of the instrument.

Exhibition in Moscow. Hans J. Zimmer AG, Frankfurt-am-Main and High Polymer & Petro-Chemical Engineering Ltd, London (both members of the Vickers Group) are taking part in an International Chemical Exhibition at Moscow from September 11th to 26th.

Among the items displayed will be a process for the production of polyester by a continuous polycondensation process with subsequent direct spinning. There will be a laboratory spinning installation demonstrating the spinning of synthetic fibres and subsequent stretch-twisting and Zimmer will also be displaying a spinning manifold with six spinning positions.



The picture shows a stainless steel butter blender nearing completion for a repeat order from a customer in Paris for a complete butter processing line. The plant will utilise the existing blender and shiver and will include the new blender, two bulk feeders and two case packers. It will be the first installation arranged on one floor. On the way to New Zealand is the first 56lb butter packing line produced by the Worssam Division which automatically extrudes, weighs, wraps and inserts into a carton a 56lb block of butter.

'Tiptoe' comes home to her "twenty-first"

HMS Tiptoe, the longest serving submarine in the Royal Navy paid an informal visit to Barrow-in-Furness on June 17th to 21st. The visit was requested by the Ship's Company to celebrate the 21st anniversary of her acceptance by the Royal Navy from Vickers Barrow yard.

The four day programme included visits on board of organised parties from schools, youth clubs, naval clubs etc. as well as visits by the general public.

Tiptoe was officially taken over by the Navy on June 12th 1944, and was assigned to Task Force 71 on the Malayan coast. She served in the Pacific Theatre as a unit of the British Pacific Fleet under the command of Earl Mountbatten of Burma until the end of the war with Japan. She returned to home waters for service as a training ship.

"FACE LIFT"

She was completely transformed after a modernisation "face lift" in Chatham dockyard between 1952 and 1954 and in 1962 she was equipped with the most up to date sonar and under-water equipment as well as new radio and radar.

HMS Tiptoe will continue her career as a training ship for submarine crews from Britain, the Commonwealth and NATO countries.

NUCLEAR POWER IN ANGLESEY

Under construction in Anglesey for the Northern Project Group of CEGB is the Wylfa Nuclear Power Station. The structural steelwork for the 400 kV switch house—2,600 tons of it, all shot-blasted and painted—is being fabricated and erected by the Constructional Steel Division at Vickers Palmers Hebburn Works. The switch house, when complete will be 435 feet wide, 560 feet long and 70 feet high.

A special route investigation had to be carried out and it was decided to transport the fabricated units by road crossing the Menai Bridge with only inches to spare.

From the Itchen Works of Vickers Limited Engineering Group will come dry store charge chute assemblies. Each is a complex of tubes, plate and castings standing 32 feet high.

AGREEMENT WITH AUSTRIAN ATOMIC RESEARCH

A research agreement which will further the advance of radiation chemistry and improve synthetic fibre production has been reached between Hans J Zimmer AG, Frankfurt/Main, and the Austrian Atomic Energy Research Company. The Austrian company is equipped with research laboratories of the very latest technical design and has undertaken international work in the field of radiation preservation of foodstuffs. Under the new agreement, a considerable part of its facilities have been placed at the disposal of Hans J. Zimmer AG.

World interest grows in oxygen chambers

World wide interest continues to grow in Vickers high pressure oxygen chambers. At the recent International Hospital Equipment and Medical Services Exhibition at Olympia, orders for 20 chambers were received, mainly from European countries.

Especially keen interest has been shown in Scandinavia, and in Sweden leading doctors in the teaching hospitals are impressed with the clinical uses of high pressure oxygen.

Identical equipment has been on view at the International Exhibition "Sjukhus 65" at Stockholm, on the eve of the 14th International Hospital Congress and Fair. It is estimated that some £35 million worth of hospital and medical equipment will be bought during the next 10 years in connection with the major reorganisation and expansion of the Swedish hospital system now being carried out.

FROM THE EXPORT FRONT—TOKYO

On its way to the British Exhibition, Tokyo is a packing machine which will be turning out Japanese cigarettes in a hinge lid box, for the first time, during the period of the exhibition. Molins, who already have 950 of these machines packing 200 different brands in 50 countries throughout the world, will have one of the largest stands.

Vickers Engineering Works at Weymouth are this year supplying the requirements of the Molins Machine Company Ltd of Bermondsey for the building of printer frames to fit the Mark 8 machine. These mechanisms print the name and trade mark on the uncut cigarette roll as it passes through the machine.

In all, 200 units have been ordered for 1965.

A contract has also been placed for 80 box beds, the mechanism of which folds the packets round the cigarettes and for 58 sealer beds which gum and seal the packets.

The connection between Weymouth and Bermondsey dates back to 1955.

£1m FOR SOFT DRINKS

Worssam Products Division has won an important order to supply bottling equipment for the new £1 million soft drinks factory being built at East Kilbride, by Schweppes.

The factory will replace the company's present plant at Possil park, Glasgow.

The filling machinery will operate at a speed of 400 bottles a minute. It is similar to the machinery supplied or on order from Schweppes (Overseas) Ltd for installation in Spain.

Published by
VICKERS LIMITED VICKERS HOUSE
MILLBANK TOWER MILLBANK
LONDON SW1

BRITAIN

Unfair on Housing?

THE Rent Bill, which barring accidents will be on the statute book by the end of this parliamentary session, will remain the only piece of legislation in the housing field, indeed the only social legislation of any significance, which the Government has yet completed. Its intentions on land, leaseholds and mortgages remain half declared or deliberately shrouded. The first quickening of the sluggish building society funds alleviates only one source of embarrassment. In Thursday's supply debate the opposition were on safe ground to return to housing, where legislative and economic capacities match up so badly to needs. But arguments about the number of private-sector houses started against those completed is a depressing substitute for thoughtful discussion. The feebleness of the opposition's new thinking in this field was demonstrated in this week's pamphlet* by two leading Tories, one the ex-minister for building.

At least Mr Crossman, in justifying a new clause which the Government has inserted into the final stages of the rent bill, dealt a rebuff to his own extreme conservatives who really hoped all along for an old fashioned ice-age for private rents. The new clause, by spelling out the stages by which a rent now controlled at an artificially low level will eventually rise to a "fair" price, has at least made it crystal clear that such a process must eventually take place. When is another question. The first result of the rent act will be a straightforward freeze of almost all rents. Mr Crossman estimates that there are 800,000 uncontrolled tenancies in the country and he proposes to let these be adjusted to the "fair" level first. Since the (small) Milner Holland sample suggested that a majority of uncontrolled tenants, even in London, had no complaint about their rents, the Minister hopes the local tribunals will not be kept busy for too long on their account.

Then only, and only in such parts of the country as shall be decreed, he proposes to allow the tribunals to consider the rent claims of landlords of old controlled tenancies. Once these new rents are agreed, landlords will not be allowed to claim them straight away—this is what the new clause is about. The annual rise must not exceed 15 per cent of the controlled rent—so if the agreed rent happens to be twice the controlled one, it will be seven years before the landlord starts to receive the full sum.

Individual tenants must clearly be cushioned from sudden crippling rent increases which throw an unreasonable burden on their resources, but once again Labour has missed the cue for giving selective help to people who really need it, instead bestowing a blanket benefit to one class of person at the expense of another, the landlord. At this stage in the bill it might have been too late to start introducing the principle of personal housing subsidies to needy private tenants—but this is the only satisfactory way of dealing with the problem which the new clause seeks to meet. Recently the Labour-controlled Greater London Council announced a rate-borne social aid scheme to help tenants who could show their means to be inadequate to meet the council's new increased rent structure. Given the principle of approved rents which the new bill introduces, an extension of such a scheme would be perfectly possible to apply on a national scale to all tenants, public or private, and this is the goal towards which any sensible government ought to be aiming. (Messrs Corfield and Rippon do go so far as to suggest individual subsidies to local authority tenants administered by the National Assistance Board, in place of the general housing subsidy.)

The problem of deciding on a "fair" rent in the unfair conditions of a housing market in disequilibrium was never faced up to in the bill, and still remains. The way a valuer would set about it in London is something like this. He would find an area where the market was in equilibrium, loosely defined as something like a 10 per cent vacancy rate. This would probably only exist in some "posh" area like Knightsbridge. He would then move to a similar house in nearby Pimlico, deducting so much from the actual Knightsbridge rent for the cracked stucco, the shared lavatory and the neighbouring railway. By this method a lower rent, "fair" for the property concerned, could be roughly defined. Logically, there are parts of London where this method would result in the absurdity of no rent at all. Has Mr Crossman faced up to this one? Or is this why he says that rent officers should not need to be valuers anyway?

* *Target for Homes* by Frederick Corfield and Geoffrey Rippon. Conservative Political Centre price 3s.

Brass Band Brothers

and swinging sisters too

THE familiar quaintness of the Salvation Army uniform is such a standard feature of the London street scene that the addition of thousands more for the movement's centenary celebrations have, during the past week, induced a constant sense of double vision. The deliberate archaism of dress is appropriate enough, for in one sense society has hardly progressed either in the past hundred years; it still takes shamefully little heed of its own rejects, the broken, homeless and alcoholic dregs of humanity which the Army has always made its special care. The Salvationist approach, simple to the point of naivety, is no fault where human needs are simple. Those they help, as well as other workers in the social field, turn to the Army to find the rare relief of practical kindness without strings.

Godliness is rare too, but not so much sought for. The Salvationists do not pretend to have escaped the numerical decline

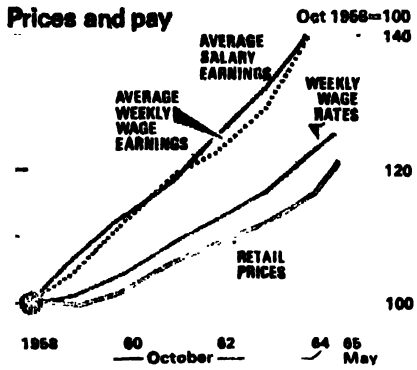
in religious observance—though it is worth remembering that William Booth's life's work was largely directed at people who had never known any religion at all. On the other hand his unique blend of brass band and Bible is as popular as ever; the membership in Britain of Salvation Army bands and choirs, respectively 18,000 and 25,000, is much higher than it was even forty years ago. Since "pop" religion has always been the movement's speciality, it has moved more naturally and more successfully into the beat age than certain sectors of the established church. Its brass band records have always sold well (under an EMI label), though its recent big-time success has been the Joystrings group, on one historic week number 28 in the pop charts. In all but the status of the players Salvationist music is a professional affair; it has its own music schools, its own music publishing company which sifts and copyrights members' compositions, its own brass instrument factory which supplies Salvation Army bands all over the world.

There is absolutely no cynicism in the Salvationist view that, if pop-groups and the like can only hope to draw minute numbers of the young into religion, at least plenty of godly works can benefit from the funds raised. This is in keeping with William Booth's own view, which still prevails, that there is nothing incongruous in an Army representative selling insurance as well as salvation. The Salvation Army Assurance Society, which Booth bought from the Methodists, now has an annual income of over £4 million—in 1964 its net profit was £90,000. Its directors are Salvation Army commissioners and colonels, paid the tiny living allowance (which rises by 3s. 6d. a week after each three years of service) on which all regulars of the Army live.

The company, like many other Salvationist activities, is presided over by the movement's international chief, General Frederick Coutts, who used to command in eastern Australia. The Army's international base is the surprisingly slick new headquarters building in Queen Victoria Street (the original headquarters were blitzed, the present £1,250,000 building erected by members' subscriptions on the freehold site). The Army dislikes revealing national memberships, partly, no doubt, in order to avoid the rivalries and splinter groups which troubled it in the later days of its founder's saintly autocracy—and which have been quietened but not always eliminated since the introduction of elected leadership. Its estimated world strength is two million, including 23,000 "regulars," in 69 countries. Communist governments have banned it and right wing dictators have not always welcomed it either. However, this week's celebrations have included a coloured South African salvationist, a black Rhodesian, and a whole brass band from Leopoldville.

Still Inflating

A further rise—of nearly half a point—in the retail price index in May reflected increased prices of a number of things. Prices have outstripped wage rates in the last twelve months; but the chart shows that, if last year's experience has been repeated, earnings will have increased distinctly faster than rates. The October, 1964, inquiry showed the biggest year-to-year increases in both wage-earnings and salary-earnings for several years.



Selecting Administrators

THE upper grades of the British civil service are very good indeed, by any country's standards. By this all-important criterion, their selection methods must be judged a success. But nobody could pretend that civil servants are a particularly diverse lot: and output from the traditional moulds has proved inadequate to meet the current demand. The most interesting and encouraging point in the latest report of the Civil Service Commissioners is that the home civil service has now started seriously on the business of drawing recruits from outside Whitehall—which should both help to change some too-entrenched attitudes and make up the apparently necessary increase in numbers.

Last year in Parliament plans were outlined to recruit up to six Principals (aged between 30 and 35) and up to three Assistant Secretaries (aged between 40 and 45) into the administrative, or superior, class. The senior branches of the Foreign Service and the Commonwealth Service (which have since been amalgamated into the new Diplomatic Service) between them recruited 23 outsiders over 27 years in age with special qualifications. This is the beginning of a regular process of recruitment of outsiders with special qualifications into the civil service. More recently—as an indication of how desperately the civil servants need to reinforce their numbers and their quality—the posh papers have carried advertisements for about 20 jobs for people between 20 and 28 with good degrees: they would enter the service as assistant principals, but not in the traditional way straight from their universities. There have also been advertisements for qualified economists, preferably from the universities, for stints in the civil service of between one and three years.

This new policy of openness towards the outside world is certainly a good thing, and would be so even if it were not forced on the civil service by the difficulties of recruitment now. The presence of men with outside experience could, for one thing, make the service more attractive to all potential recruits. There are a number of reasons why this has lagged. One cause, as the report notes, is an increase in the number of university jobs available: some of these have even tempted good men from within the civil service itself. Another difficulty, noted by all university appointments boards, is the reluctance of the young graduate, since national service has been abolished, to start immediately on his life's career; a third is that although, in the words of the report, "it is very desirable that in its dealings with candidates the Civil Service Commission should give the best possible impression of the service to which it is recruiting" the Foreign Office is probably the only department to which in the popular view much glamour attaches.

This is certainly a misconception: the home departments now both have more power and deal with more interesting matters; and living abroad when it is not possible to know where one will be has not the attraction it had just after the war. A general policy then of interchange between both branches of the civil service and other professions would do much to brighten up life in Whitehall and the embassies.

The list of those selected this year for the administrative class of the Home Civil Service and what is now known as grade 8 of the Diplomatic Service still shows the heavy reliance on arts graduates from Oxford and Cambridge—although the proportion of candidates selected from other universities has certainly gone up over the past few years. Oxbridge has, of course, the best liaison arrangements with Whitehall and it also has many of the most able and most suitable candidates; but although there is probably no conscious bias in the selection methods, it is hard not to suspect that somehow sometimes Firsts in Greats are choosing Firsts in Greats. It would be excellent if more graduates in non-liberal subjects would apply for and receive positions in the civil service. But then that problem is one for the whole British educational system.

Why fire damage was confined to the roof of one bay at Wilkinson Sword

The smoke staining of the roof and gable walls, clearly visible in the photograph taken at the Acton Works of Wilkinson Sword Ltd. the morning after the fire, shows how Colt Fire Vents work

They confined the heat and smoke to the roof space of one bay, *and* prevented it building down below truss tie level.

Although the fire broke out at about 8 p.m. on the Sunday evening, the 5-bay machine shop was in full production from 8 a.m. on the Monday morning.

Fire Ventilation, by preventing smoke logging and removing vast volumes of gas and heat, enables the fire brigade to see, approach and tackle the seat of the blaze immediately and without the need for breathing apparatus.

It pays to install Colt Fire Ventilation. For full case histories of this and 15 other fires in buildings saved by automatic Fire Ventilation write now to Colt Ventilation & Heating.

COLT

fire ventilation

PROTECTION AGAINST FIRE SPREAD

COLT VENTILATION & HEATING LIMITED
SURBITON · SURREY · Tel: ELMbridge 0161

BOOKS

Towards Afrikaner Supremacy

British Supremacy in South Africa, 1899-1907

By G. H. L. Le May.

Oxford University Press. 229 pages. 25s.

Professor Le May has, in effect, written a successor volume to Professor J. S. Marais's "The Fall of Kruger's Republic"; it further enhances one's sense of the contribution made by the University of the Witwatersrand to South African historical studies. As the outbreak of war in October, 1899, and not its conclusion, as the title might suggest, formed the climax of Professor Marais's work, so Professor Le May as the dates but not the title of his book indicate—treats of the struggle to establish British supremacy in South Africa as well as the period of its actual existence. The point is not without importance, because some of the most telling parts of Professor Le May's book deal with the politics of war.

Professor Le May's study, part narrative, part commentary, is based on original source material and he has deployed with effect evidence from the Milner, Salisbury, Chamberlain, Bryce, Merriman and other private papers—those of Campbell-Bannerman do not appear to have been used—and from the Colonial Office files, from which are drawn some cautionary and prophetic quotations mostly to the credit of that much-abused department. Professor Le May takes account of Hobsonian or other conceptual explanations of the causes of the South African war, only to dismiss them. He thinks, it may be overmuch, in terms of individual responsibility. Thus his first chapter is entitled Sir Alfred Milner's War, and the theme of his book is how Milner's grand design, requiring a quick and limited war, "an Austerlitz in the Veld," as the prelude to a "gigantic exercise in physical and social engineering" that would once and for all establish British supremacy, was frustrated, first by the tactics of the Boer Commandos and then by a fraying of resolution at home.

The theme is skilfully developed and well supported with quotations, notably from Milner's own papers. Yet it is neither wholly satisfying nor altogether convincing. No one who has read Sir Keith Hancock's Smuts biography will be surprised at the evidence Mr Le May adduces to show that Milner, convinced that the struggle for supremacy in South Africa would be joined by force, preferred it should be sooner rather than later. But that Milner accordingly pressed upon the Colonial Secretary (and others) policies that could only lead to an early war does not necessarily make it Milner's war. He was a proconsul, perhaps the most influential of British proconsuls, but he was not Colonial Secretary, still less was he a member of the Cabinet. Certainly he had his grand design for British supremacy in South Africa with the Transvaal "as the agate point on which the balance of power in South Africa would turn." But was not the implementation of the design conditional upon backing in principle from the Colonial Secretary and the Prime Minister? Neither of them was given—though Chamberlain somewhat inclined that way—to formulating designs with Milneresque force and logic, but they had their own clear notions of establishing British supremacy all the same. And was not the existence of these notions on their part, and among a large section of public opinion at home, rather than Milner, the decisive factor?

The chapters on the politics of war are a depressing but important contribution to history. For those given to passing complacent judgment upon the outlook of Afrikaners, they should be compulsory reading. Professor Le May seems to doubt whether Campbell-Bannerman was wise to exclude the military so specifically from his criticisms. Certainly Kitchener's reputation, or what remains of it, is not enhanced in these pages. While he was opposed to unconditional surrender and prepared for negotiation, that was, Professor Le May argues, largely because he feared lest preoccupation in South Africa might deprive him of the coveted post of Commander-in-Chief in India. And in the meantime he was prepared to continue, or to contemplate, measures at which the mind rebels. It is true, and to his credit, that he was opposed to and ended at once the more or less indiscriminate burning of Boer farms in the Orange Free State. But he sanctioned other things: executions, some of which, until stopped from London, were carried out in public places with fellow burghers compelled to witness them; the enlargement of the army "camps of refuge" set up under Roberts into concentration camps, into which Boer women and children were crowded and in which 20,000 or more died; large scale banishment of Boers—Kitchener had Fiji or, if the French were agreeable, Madagascar in mind; and when this proved self-evidently impractical, the Cabinet had to resist his proposal that the wives of prominent Boers should be exiled on the ground that the women were more implacable than the men, and thereby responsible for prolonging the war.

Nor, whatever may be supposed now, was there much evidence of British concern for the natives. It was not by chance that Article 8 of the Peace, leaving the franchise in the conquered republics to be determined after the restoration of self-government, was acquiesced in by Milner and by the Cabinet. "The Native franchise," minuted Mr Graham in the Colonial Office, "is the only point [in the peace terms] worth hesitating about. As [the clause] stands, the Native will never have the franchise. No responsible government will give it to him." But neither the Colonial Secretary nor the High Commissioner hesitated. After all, they had fought the war to establish British supremacy in South Africa, not for native rights. It is the conclusion, ironic and somewhat over-simplified but in substance just, of this illuminating and readable study that what on the longer term they succeeded in achieving was Afrikaner supremacy, not in two republics but in one, which, however, embraced, as a direct consequence of British intervention, the whole of South Africa.

Prewar Idyll

My Life and Times: *Octave Four, 1907-1915*

By Compton Mackenzie.

Chatto and Windus. 268 pages. 35s.

The fourth instalment of Sir Compton Mackenzie's autobiography is as readable as ever, but by his high standard slightly less picaresque than the previous volumes, for the good reason that by the end of the last volume he had married and had found his path in life. The keynote of this period of eight years is self-confidence and certainty that he will reach success in his chosen avocation as a prose writer. Self-confidence was needed, since his first novel went the rounds of the publishers for two years before Martin Secker, fresh to publishing, took him on to their great common advantage. Meanwhile his father wanted him to be an actor (the family profession) and his mother wanted him to be a clergyman; but though he was driven by dire need on to the boards once or twice, became a lay preacher in the diocese of Truro, and took seriously to gardening in case writing failed to produce an income, he never lost faith; and his faith was justified. As soon as "The Passionate Elopement," his first novel, was published, he was established; and by the end of the volume "Sinister Street" had

appeared. Furthermore, and with far less explanation and comment than he gave to his earlier spiritual development, he had been received into the Catholic Church.

To a younger generation, there seems to be a certain pattern of life that was shared by most of the writers who came to the fore just before the first war—a pattern which is strange by present conventions and which seems curiously uniform, though this is doubtless a fault of perspective: constant moving from house to house (in Sir Compton's case, between London, Cornwall and Capri); great faith in writing as a sole occupation; willingness to back that faith by refusing other jobs and living poorly, and if necessary marrying, on an allowance provided by patient parents; massive letter-writing; and warm encouragement from Henry James in his inimitable style. All this one finds in Sir Compton's book; but to it is added a deep practical knowledge of the theatre that gives rise to some of his most entertaining passages, such as helping Pellissier to produce the Follies and, in default of anyone else, unwillingly taking the lead in a dramatised version of his own *Carnival* on tour through North America.

The book ends with his sailing to Egypt, after many vain attempts to get into the forces through more orthodox routes, as a sub-lieutenant of Marines, totally untrained, thanks to the good offices of the ubiquitous Eddie Marsh.

New Light on Russian Economics

The Use of Mathematics in Economics

Edited by V. S. Nemchinov. English edition edited by A. Nove.

Oliver and Boyd (1964). 398 pages. £5 5s.

The Best Use of Economic Resources

By L. V. Kantorovich. Translated by P. F. Knightsfield. English edition edited by G. Morton.

Pergamon Press. 382 pages. £5.

The publication of these two books in English opens a window for the western economist into the development of modern Soviet economics. The first contains a number of technical contributions by Russian pioneers in the application of mathematical methods in economic planning, and in particular a long article on cost-benefit comparisons by Mr Novozhilov. Of special interest are two short papers by Mr Kantorovich, who independently, just before the second world war, broke into the field known in the west as linear programming, and is now its major exponent in Russia. His approach is further developed in the second book under review.

As in the west, linear programming methods were first developed in Russia to solve allocation problems within specific contexts. More recently Mr Kantorovich has become known as the pioneer of the view that the approach is the correct one to apply to general economic planning. This involves the gradual introduction of the unorthodox concepts of opportunity cost and shadow prices, which reflect the relative scarcity of resources, into the intellectual armoury of the Russian planner, replacing the cruder but hallowed indices based on the Marxist labour theory of value. The larger part of the second volume is devoted to an exposition of these ideas in terms intended to convince Mr Kantorovich's less mathematical and more traditionally minded colleagues. In this context great interest attaches to Mr Nemchinov's editorial preface to Mr Kantorovich's book, which should be read together with Mr Nemchinov's personal contribution on the use of mathematical methods in his own collection. Mr Nemchinov argues that programming methods are amply justified in micro-economic contexts and indeed provide the best hope of progress in macro-economics. But he accuses Mr Kantorovich of a crude and controversial extrapolation of his conclusions when he claims that programming in its present form can provide the answer to the general economic problem. According to Mr Nemchinov, programming can determine "not what is to be produced but how it should be produced" and the method cannot therefore "serve as a regulator of the allocation of social labour between the main sectors of the national economy." In western terms, there remain the major problems of welfare economics and of the main strategy of economic development: namely, the distribution of the surplus of society between social groups and between the present and the future. These problems are glossed over and obscured by too facile an application of precise mathematical method.

As Mr Nove points out in his brief but very helpful introduction to Mr Nemchinov's volume, these arguments are couched in the unfamiliar phraseology of Russian Marxism, and they do not make easy reading for the western-trained economist. But, as Mr Nove also remarks, we should nevertheless be well advised to take the present work of the Soviet economists seriously. The mathematical tradition of Russia, combined with the concern of Marxists for economic dynamics, suggests that significant contributions to the world's knowledge are likely to emerge once the dust of the present controversy has settled and the doctrinal obstacles removed. These books show that the technical advances achieved in the west since the war are rapidly being absorbed in the east, and at the purely technical level there is already a corpus of results we may profit from. As for the broader problems, the need for an acceptable basis for the theory of economic dynamics is urgent on both sides of the iron curtain, and we are not without our own doctrinal barriers to intellectual progress. It is indeed encouraging to liberal optimists to find concrete evidence of this opening up of Soviet discussion of topics that have long been closed and dangerous.

Retreat in Rome?

Pope John and His Revolution

By E. E. Y. Hales.

Eyre and Spottiswoode. 237 pages. 30s.

Mr Hales fears that the policy of Pope John is slowly being put aside. There is no inevitability about liberal policies. He sees signs of Rome withdrawing from dialogue with the world; of the needs of the Italian right wing reasserting themselves; of brakes upon the communication with other churches. He seems anxious.

It is a well-known rule of constitutions that an infrequent assembly cannot control

206th year of publication

THE ANNUAL REGISTER World Events 1964

Edited by Ivison Macadam 6gns

Longmans

Pitman Books

Modern Commerce

E. Sladen

In this revised edition the author has particularly noted the changes that have taken place in foreign trade and foreign exchange, the London Stock Exchange, the various aspects of restrictive practices and monopoly and changes in different branches in transport. The book provides the business man and student with a reliable and accurate basic reference work in commercial and business practice.

Seventh edition 12s 6d

PITMAN BOOKS FOR BUSINESS STUDIES

Students and teachers concerned with business and professional studies will welcome our Business Studies Catalogue. It lists and describes a selection of over 100 titles on such subjects as: Book-keeping and Accounting, Business Management, Office organisation, Statistics, etc.

Available on request to:
Dept. E.3.
Sir Isaac Pitman and Sons Ltd.,
39 Parker Street, London, WC2

PITMAN COMMERCIAL BOOKS ARE AVAILABLE FROM ALL BOOKSELLERS

ROY HARROD

Reforming the World's Money

'Highly readable, which is rare praise on this gritty subject. . . a book that is a good introduction to the subject, and which at the same time has much to interest the specialist.'—Economist 25s

Edited by F. H. HAHN and F. P. R. BRECHLING

The Theory of Interest Rates

In 1962 the I.E.A. held the first of a series of conferences on some of the more technical problems of economic analysis, designed to bring together some of the ablest of the younger economists working at these subjects. 50s

MACMILLAN

the policy of a permanent executive. It could therefore be predicted that as the Vatican council passed into history, the government of the church had to be carried on; and civil servants are more homogeneous in their conservatism than bishops from all the world. But to the outsider this anxiety seems premature. The influence of John in opening Roman Catholic minds to freedom still reaches into remote parts of the church. Such an influence set up tension. It will be wisdom in pope and curia to walk delicately.

This is the best book yet to appear on the pontificate of John. The range of a historian is soberly applied to this revolution. Mr Hales thinks that John had a coherent policy, that he was a statesman and not just a delightful old man with the right instincts. He reckons more highly than Cardinal Heenan of John's mind. Yet his book discloses all the incongruities of that fascinating character. Here was a pope trained in the clerical fear of Italian liberalism; who appointed strenuous conservatives to the Holy Office and tightened the regulations for the priests of Rome; wanted to keep Latin in the liturgy, inconveniently insisted that the debate of the council be in Latin, and sanctioned a hunt against professors of theology who could not lecture in Latin; admired the anti-modernist Pope Pius X and talked of canonising the anti-modernity Pope Pius IX; and banned French worker-priests. And despite all this, here was a pope who accepted the Italian liberal parties and tried to free the papacy from its nexus with the right; who amid bitter hostility welcomed Khrushchev's nephew to Rome, and prised the Ukrainian archbishop out of his long imprisonment in Siberia; who encouraged courteous debate with the east and the Protestants. The reader of this book may doubt the coherence of the policy. But he will not doubt the impact of a pope not afraid to listen to a world which his predecessors regarded as so dangerous; a pontiff who hesitated to pontificate.

Have-a-Bash History

The European Powers, 1900-45
By Martin Gilbert.
Weidenfeld and Nicolson. 307 pages. 42s.

A girl at Oxford once asked her principal for leave to put in for a prize awarded among the women's colleges, and is said to have got the answer, "O have a bash at it, Miss Blank, they gave it to an absolute moron from another college last year." The spirit of cheerfulness, without regard for impact, behind that reply seems also to have inspired Mr Gilbert when he wrote this book of essays. It is brightly written; it is unencumbered by reference notes, though a seven-page book list at the back provides help towards further reading. There are quite a few aphorisms, of this type: "the public is rarely in a position to know its own immediate history. For this reason its judgment is often awry." The book's most admirable feature lies in 38 photographs, which portray not only such leading men of the period as Lloyd George, Trotsky, Hindenburg, Hitler, Roosevelt, Churchill, but also some of the lesser characters who flavoured it as well: Hiram Maxim, admiring his gun; Paderewski, pianist and prime minister, in a power station; the inconspicuous and highly competent General Groener; or a Polish-Jewish child in a cloth cap at the wrong end of a German sub-machine-gun. There are also 30 maps, all clear, if sometimes contradictory.

Mr Gilbert says his object is "to interest the reader in European history, by giving some indication of the problems which troubled European politics and some account of the personalities involved . . . to reveal both the fascination and the drama of recent European history." He does not try to provide comprehensive cover; this keeps his book from being too long or too dull. Yet the fragmentary and often scintillating passages of political narrative that he does provide sometimes lead the reader to ask himself "How fair an account is this? What else has he left out?" It is charitable to suppose that the author has had no time to read his proofs properly; there are far too many minor mistakes. And however nimbly he moves from incident to incident, personality to personality, his selective method often ignores chronology. This deprives the newcomer to his subject of the main joy of reading history. Because Mr Gilbert sometimes takes little notice, in these pages, of the order in which things happened, he keeps his readers from understanding how one thing led to another.

Mixed Marriage

Persia Revisited
By Anne Sinclair Mehdevi.
Michael Joseph. 173 pages. 25s.

Twelve years ago Mrs Mehdevi, who is a lively girl from Wichita, Kansas, happily married to a Persian husband whom she met as a penniless student, wrote a book about her in-laws which appeared in part in the *New Yorker*. It was often shrewd and always vivid and immensely entertaining, but it set up qualms in anyone who knew enough about Persians to realise how deeply it would pain and shock her new relations. Sure enough, it did so. Indeed, it caused her formidable father-in-law to banish her, along with his beloved son, for eleven years. Then, an ageing man, he reconciled himself to an otherwise satisfactory marriage, and summoned them home. This book, far less pungent but much more sagacious than its predecessor, describes life as she found it on return. It well illustrates how boring is the existence of young, upper-class Persian girls, and its description of the problems of teaching English in a girls' secretarial school in Isfahan is both touching and revealing. Mrs Mehdevi, though so chastened, has lost none of her readability, and deserves much credit for the effort she has made not to put foot wrong again.

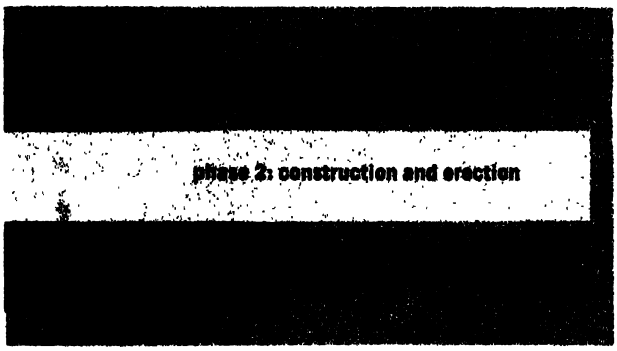
During the warmer months animals are helpless before insect attack. Some insects lay eggs on living animals on which the emergent larvae feed. To sheep rearers in many parts of the world the worst of these pests is the blowfly . . . unchecked it causes incalculable damage and suffering.

Shell's new veterinary product, Supona, guards sheep from this scourge. A single dip protects for an entire season. Supona can also be applied in sprays. Other uses are being developed for Supona including its use on cattle to kill ticks.

This is just one example of Shell chemicals in use. There are many others in Shell's comprehensive range. If you have a chemical problem, industrial or agricultural, Shell can probably help. Contact your Shell Company.

SUPONA

Shell Chemicals SHELL



Phase 1 in building a turnkey pulp and paper mill

The technical and economic feasibility study

To bring a modern pulp and paper mill to full production may take as long as 38 months from the date of contract signing. Yet the ultimate success of the project hinges on work done before the contract is even signed, on the critically important field survey, and technical and economic feasibility study—such study being initiated when there is reasonable assurance that the resulting project can be adequately financed.

To complete such a study, P&W's technical and economic experts spend 6 to 9 months making an exhaustive examination of all the factors involved in the establishment of such a major industrial enterprise. First, engineers and commercial personnel, drawn from various member companies and offices of the Organization (often from several countries) make an extended field survey. They investigate local conditions to ascertain whether they permit the profitable operation of a pulp and paper mill. Then, on their return, technical and economic analyses of the data proceed hand in hand, resulting in the preparation of a practical and immediately applicable plan of action. The plan is embodied in a report, sometimes running to 400 large pages of text, maps, diagrams and drawings.

A typical feasibility report contains a domestic market survey—and, where appropriate, one for exports—a detailed review of the requirements and availability of fibrous and other raw materials, water, fuel and power, transportation and personnel. The report leads to a selection of the best site, the most suitable pulping process, and the specification of optimum pulping, papermaking, converting and auxiliary equipment. Detailed capital estimates are given for land, buildings, structures, equipment of the latest design and finest manufacture including spare parts, freight, inland transportation, and insurance. Also included are the capital requirements for engineering, supervisory and other technical services, training of local personnel, interest and overhead during construction, legal expenses, contingencies and working capital. Needs are spelled out both for local currency, and for foreign currencies to cover the import of goods and services from abroad.

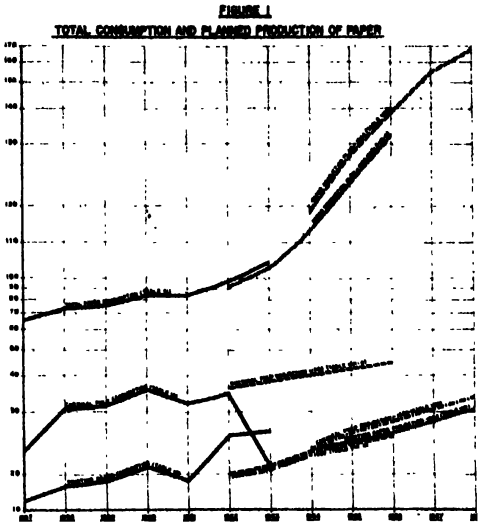
The utmost care is exercised to insure that adequate provision is made for all capital requirements—thus safeguarding investors and lenders against the ruinous consequences of insufficient funding. This safeguard alone has been proven to be worth many times the cost of the study.

The report provides conservative estimates of sales proceeds, manufacturing costs, fixed charges and taxes, and anticipated net earnings. The report includes, finally, a formal proposal by the Parsons & Whittemore-Lyddon Organization for the establishment of the industry. Total cost of the project is predetermined and a production guarantee is included.

The scope and depth of Parsons & Whittemore-Lyddon's feasibility studies mirror the overall approach of the Organization to building turnkey pulp and paper mills: P&W takes complete and undivided responsibility for every phase of the project—from initial studies financial planning and assistance, through engineering, equipment supply, and plant construction, to mill start-up, personnel training and even to product marketing. The merits of this approach are shown by the successful construction and operation of mills on 5 continents built by the Parsons & Whittemore-Lyddon Organization on a turnkey basis. P&W has 41 turnkey projects in various stages of development.

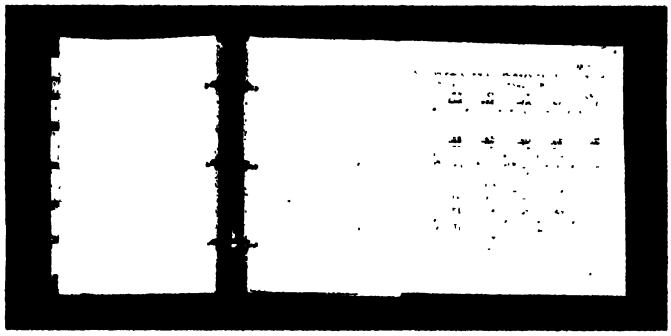
To learn more about the services of the Parsons & Whittemore-Lyddon Organization, you are invited to write for your copy of "Growing with the Paper Industry Since 1853."

1. When the Parsons & Whittemore-Lyddon Organization conducts a feasibility study for a new pulp and paper mill, a team of experts drawn from its more than 640 engineers, technical and economic specialists makes a field survey of local markets, resources and sites. Thorough consultations are held with all interested technical, commercial, financial and government organizations and with all individuals associated with the project.

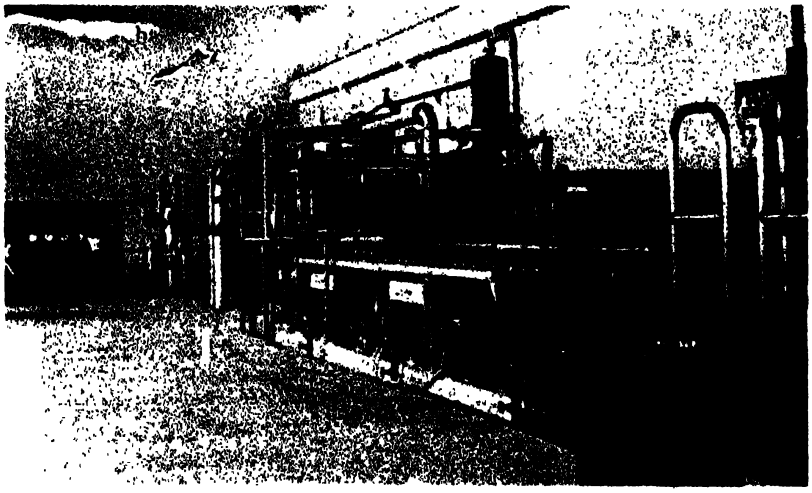


2. The voluminous economic data collected by P&W's team of experts in the field are carefully analyzed in the Project Office. The country's production, trade and consumption of pulp and paper—current and anticipated—are examined within the framework of the spectacularly growing world demand for paper products. Econometricians of the Parsons & Whittemore-Lyddon Organization are uniquely equipped to develop effective plans of action.

3. Detailed engineering studies of the technical information gathered in the field lead to preparation of optimum mill lay-out and selection of the most suitable pulping process. Equipment that best satisfies technical and economic requirements is specified. Decisions are reached on power generation, water treatment, chemical recovery and effluent disposal. Capital requirements are clearly and completely defined, obviating the risk of shortfalls occurring before full production is attained.



4. Every Parsons & Whittemore-Lyddon feasibility report contains full financial projections including anticipated sales proceeds, estimated manufacturing costs, fixed charges, taxes and expected net earnings. Debt service schedules are drawn up and return on equity is calculated. P&W's projections are eminently suited for presentation to investors, lending institutions and government agencies whose participation and assistance are desired.



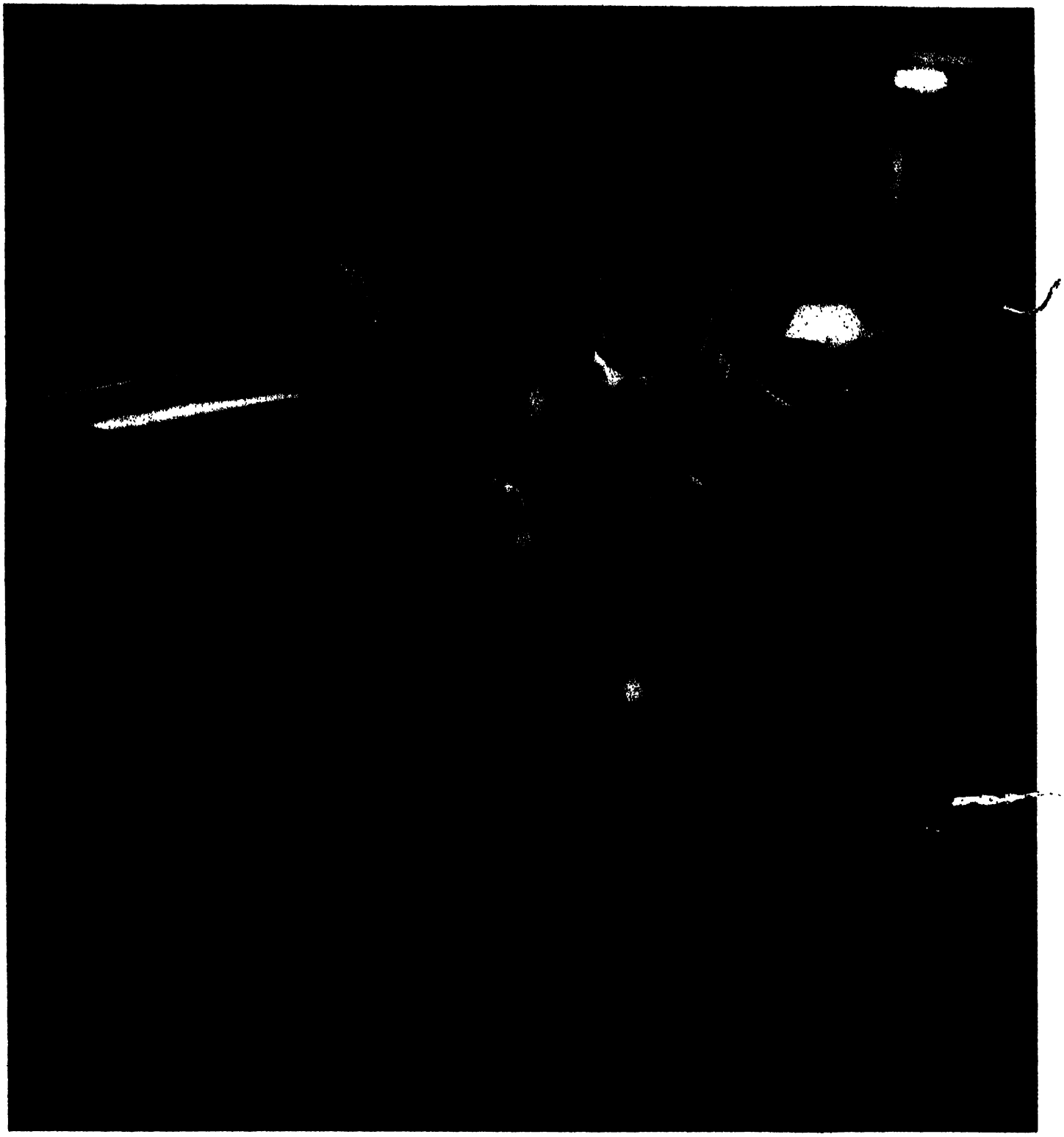
5. Feasibility studies have resulted in the construction by the Parsons & Whittemore-Lyddon Organization of turnkey pulp and paper mills on five continents. A typical example is the 9,000 tons/year groundwood and paper mill operated near Saigon by the Cong Ty Ky Nghe Giay Viet Nam. This mill, furnishing about 25% of Viet Nam's demand, showed a profit even in the first six months of operation.

THE PARSONS & WHITTEMORE-LYDDON ORGANIZATION

World leaders in the development of pulp and paper mills for the use of local fibers

Croydon, Surrey (London), England / Redenfelden, Obb., Germany / Paris, France / Madras, India
Tokyo, Japan / Montreal, Quebec, Canada

200 Park Avenue, New York, N.Y. 10017



Never mind the corners — read on

It makes quite a difference to be driven in a car that takes corners without roll or sway. If you're reading a paper or a book, you just read on. Unsurpassed road-holding and smooth driving are among the many fine qualities of a Mercedes. No effort or expense has been spared in research and testing to ensure your complete comfort and safety on any road.

For your information: Mercedes-Benz safety means: Passenger compartment reinforcement, special safety tap lock, single-joint swing axle with compensating spring, frame floor unit — 4 out of altogether 5,200 Daimler-Benz patents (as of April 1964). In addition, Daimler-Benz automatic transmission and power-steering for all models on request.

BUSINESS BRIEF

Wall Street has rallied in heavy trading after Tuesday's erratic movements.

Both the Germans and the Americans promise to pitch in with military purchases to help Britain's balance of payments.

The Japanese authorities have followed up last week's reduction in Bank rate with further measures to bolster the economy: a stepping up of public loans, investments and the works programme, a promise of large tax cuts, and a boost to bank liquidity.

Negotiations among the Six on financing the common market's agricultural policy have ended in deadlock.

Austria has announced a series of measures adding up to a drastic credit squeeze.

STRAIN IN SCANDINAVIA

At the turn of the year the Scandinavian governments to a man were noisily concerned that Britain's import surcharge would upset their own economies' progress. Their voices were among the most vociferous in pressing Britain for an early reduction. Six months later the surcharge has in fact come down by a third to 10% while the Scandinavians' fears have proved exaggerated.

There has, of course, been some backwash. Traditional exports of wood products and iron and steel to the important British market have lacked steam. But the impact has hardly been catastrophic. The American crackdown on dollar lending abroad has been more serious. More important still in the weakening of Scandinavia's external payments position has been, once again, domestic inflationary pressures.

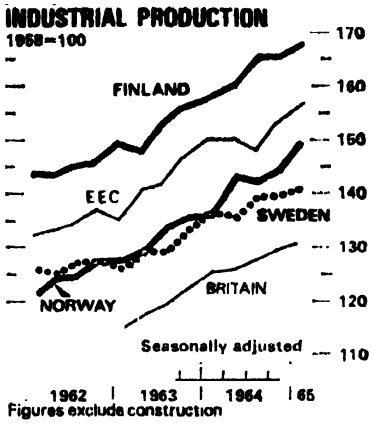
Economic activity has remained on a high level throughout Scandinavia. Growth has not been as rapid as in 1964. But this has reflected above all shortages of labour and plant capacity. Pressures on wages and prices have remained strong, despite a weakening of export demand and a continued heavy influx of imports.

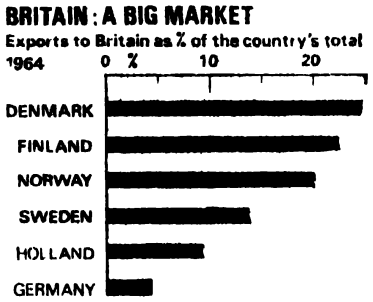
Sweden

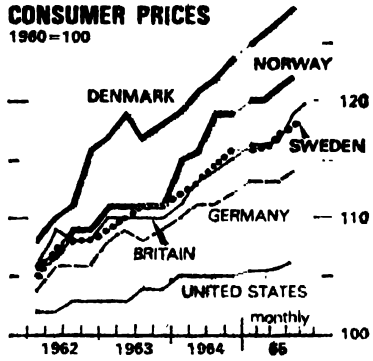
The rapid economic growth enjoyed by Sweden since the late 1950's last year set a record. Real GNP jumped 6½%. **This year, the pace of advance has tapered off somewhat.** But it is still high. After a slight dip in March, industrial production rebounded in April to a level 5.7%, up on 12 months earlier. The most expansive sectors have been steel, metals, and chemicals. On the other hand, increases in production in the pulp and paper industries have remained relatively moderate, and growth rates in footwear, textiles and food have definitely fallen. **GNP in 1965 is now expected to rise 4½% in real terms.** Virtually every major component of domestic demand is expanding strongly. **After stagnating for four long years industrial investment may rise by 9%.** At the same time, the rise in municipal capital outlays will probably match last year's 11%. The housing programme has been trimmed back considerably in order to ease pressure on supplies in the building sector and make room for industrial building. But other central government investment has been stepped up. Moreover, public consumption is scheduled to rise by 7%, this year against 4½% in 1964.

Some elements of demand are growing less rapidly. Tax increases and rising prices may hold the rise in the volume of private consumption to 3%, against 7% last year—although for the past few weeks consumers have indulged in a wild spending spree to beat the rise in purchase taxes on July 1st. Exports, which last year rose by a spectacular 11½% in volume, are expected to grow rather less quickly—by 7%—this year.

There does not seem to be enough elasticity in the economy to accommodate the prospective increase in total demand without strain on







wages, prices and the balance of payments. Shortages of labour, especially skilled labour, are already severe and many branches of industry are working close to the limits of plant capacity. Between December and May, consumer prices rose 1.4% and the increase for the year as a whole over 1964 is expected officially to be as high as 6%. A 7½% rise in the volume of imports and a slightly less favourable out-turn on invisibles are expected to widen the current account deficit, but by less than $20 million. The reserves, which last year rose $171 million to $876 million, were up to $967 million in April.

Norway

In Norway, too, inflationary pressures will undoubtedly persist throughout the year. While credit restrictions have been tightened again, fiscal policy for 1965 forecasts a 16½% rise in government expenditure. Domestic demand, especially investment demand, is rising very strongly. Foreign demand, too, has remained high, although exports are no longer rising as rapidly as in 1964—when the export industries not only had spare capacity to take up but also ran down their stocks.

The limit to expansion is being set by supply: the labour market is very tight and utilisation of plant capacity high. Real GNP is expected to rise 5½% this year. This is less than last year's 6% plus but considerably higher than the 1960-63 average.

Imports will no doubt continue to rise rapidly—excluding ships, they were up 11½% during the first quarter of the year. **For 1965 as a whole Norway's deficit on current account is expected to more than double to $172 million.** A current account deficit financed by borrowing abroad is an integral part of Norway's long-term growth policies and over recent years the country's reserves have in fact risen to four times their 1954 level. However, the deficit projected for 1965 is well above the $112 million annual average set out in the new four-year plan for 1966-69. And the Americans' measures to cut their dollar losses have raised some question marks over the Norwegians' hopes for continued large capital imports. At the end of April the reserves were roughly unchanged from December 1964, at $359 million. They may fall in coming months.

Denmark

The vigorous economic upswing that got under way in Denmark last year is still riding high. The impetus comes from buoyant investment and, more recently, rising consumption. As in Sweden and Norway, exports are rising less rapidly than in 1964. **Here, too, demand is bumping up against supply.** Unemployment, still considerable a few years ago, has virtually disappeared. Pressure on prices, wage and external payments is if anything growing.

Last year's rapid deterioration in the trade deficit to more than double the 1963 figure was more than offset by inflows of capital—some of it reflecting repatriation of capital by banks hard pressed by the domestic liquidity squeeze. **But a further deterioration in trade in the first quarter of this year hit the country's slender reserves.**

Finland

In late May the Finnish authorities backed up their earlier tightening of hire purchase terms and general credit conditions with a comprehensive programme to right the country's balance of payments. The aim is to reduce the deficit on current account from $170 million in 1964 to $125 million this year, and to less than $100 million by 1966—a level which could be comfortably covered by long-term borrowing overseas. The measures include closer checks on the amount of currency carried by Finnish tourists going abroad, increased taxes on (imported) motor cars, a "buy Finnish" campaign, more funds for export credits and a continuation of tax concessions to the export-oriented shipyards and metal industry. Moreover, the government has promised to back up a stringent monetary policy by economies in public spending. The country's foreign exchange reserves had already fallen by $32 million to $337 million before the programme was announced, as imports continued to flow in at very nearly their record 1964 pace while inflows of foreign capital slackened.

The surge of imports and the government's anti-inflationary measures to date have led to a dampening of domestic inflationary forces. Price increases have slowed even though the volume of production has been rising at an annual rate of about 5%.

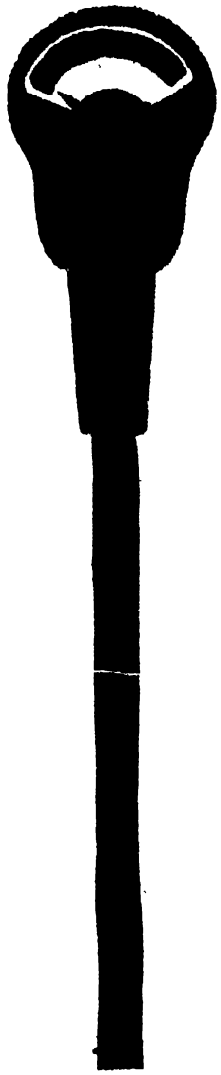
There are four Scandinavians to every ten Britons. Their economies, still fairly highly geared to agriculture and more dependent on trade than Britain's or the Common Market, have knocked up impressive growth rates around 5% or 6% a year since 1958. Sweden's growth has not quite matched up to that of EEC over these six years—although it went ahead last year—but it remains unchallenged as the wealthiest European country in terms of income a head, getting on for a tenth better-off than Switzerland. One manifestation of Sweden's high standard of living is high car ownership, not far behind that of Australia or New Zealand—although still not much more than half the American density. Norway and Denmark, in car ownership and income, are around the British levels.

SCANDINAVIA COMPARED

	Population	Civilian Labour Force		Gross National Product	
	millions	millions	% in agriculture	per head (£)	annual % real growth 1958–64
Sweden	7·66	3·92	10·9	815	4·8
Denmark	4·74	2·21	19·2	654	5·7
Norway	3·70	1·51	21·6	600	4·9
Finland	4·58	2·13	33·1	512	5·8
Britain	54·21	24·24	3·7	603	3·8
EEC	179·50	72·80	17·0	520	5·5

	Cars per 1,000	TV's population	Exports as % of GNP	Imports as % of GNP	Trade Balance £ mn
Sweden	213	257	21·4	22·5	− 64
Denmark	127	216	24·0	30·0	− 184
Norway	134	79	20·9	31·9	− 249
Finland	72	109	19·6	22·8	− 78
Britain	136	236	13·5	16·9	−1,106
EEC	115	114	16·3	17·2	− 831

Figures are for 1964 except some labour figures - Sweden, Finland 1963, Denmark, 1962. Trade refers to merchandise trade.



2 hours—£120,000

In the two short hours this meter allows, British life offices pay out £120,000 to policyholders. Sixty thousand pounds every hour—more than ten million pounds a week.

These benefits are made possible by the mutual association of policyholders, who join together to protect their families and invest their savings. Today practically everyone has a stake in life assurance.

ISSUED BY THE LIFE OFFICES' ASSOCIATION, LONDON, AND ASSOCIATED SCOTTISH LIFE OFFICES, EDINBURGH.

LIFE ASSURANCE PAYS OUT £10m A WEEK IN BENEFITS

This is the East...

Economic development in Asia is bringing higher living standards to these young people and to the vast population of that continent. Demand for an ever increasing range of merchandise is steadily rising. If you are interested in trade with these expanding markets, you are invited to avail yourself of the banking and information services of The Chartered Bank and its subsidiary, The Eastern Bank Limited. The combined organisation of the two banks comprises one hundred and thirty branches in twenty-seven territories extending from the Eastern Mediterranean to the Pacific Ocean.

THE CHARTERED BANK

(Incorporated by Royal Charter, 1853)

HEAD OFFICE: 38 BISHOPSGATE, LONDON, E.C.2

West End, London branch: 2 Regent Street, London, S.W.1 · Offices in the United Kingdom also at Manchester and Liverpool, in Germany at Hamburg and in the United States at New York and San Francisco

The Eastern Bank Limited HEAD OFFICE: 2 & 3 CROSBY SQUARE, LONDON, E.C.3

Associated Banks: The Irano British Bank (Incorporated in Iran) · Allahabad Bank Limited (Incorporated in India) The Commercial Bank S.A.L. (Incorporated in Libya) · The Chartered Bank of London (Incorporated in California)

BUSINESS

Germany Hugs its Deficit

Proud of the balance of payments deficit that Germany has managed to run for quite fifteen months now, the Bundesbank hopes it has solved the kind of chronic economic ailment that Anglo-Saxons would give their ears to catch

WEST GERMANY'S financial authorities rejoice in the basic balance of payments deficit that the country has run since early in 1964. At last, they say, the embarrassing tendency to long-run surplus has been overcome : henceforth, the country will be easier to live with and will thrust less of the onus of international adjustment on to others. And they believe that this "improvement" has been achieved while launching West Germany on what will turn out to be its longest postwar boom, They feel that the 1961 revaluation of the mark and the faster rise in German prices since then have at last given the mark a comfortable parity.

Their optimism about their external balance may be a little premature. Many of the causes of surplus are still there : the feeble flow of German investment abroad, the over-reliance on monetary weapons to control the economy, the resultant high interest rates at times like the present, which threaten to attract, at any moment, a new, inappropriate surplus on capital account. The government has been gently nursing the German private saver into taking greater interest in the country's stock market. If the present high rates are maintained for long, many people who were recently tempted to enter the bond market for the first time may get their fingers burned. On the other hand, there is little prospect of the strain being taken off monetary policy in an election year, when the Federal government feels even less inclined than usual to try to impose a strict financial policy on itself and the Länder. The market for foreign bonds is temporarily in disarray, not only because of the credit squeeze, but also because of the coupon tax introduced last year to discourage the inflow of foreign capital. Critics of the Government argue that it can hardly expect to make the German capital market one-sidedly international : if it is not getting an inflow of foreign funds to supplement domestic buying of stocks, it can hardly afford to support a large amount of foreign borrowing.

Yet, for all the difficulties, it may be that the threat of chronic surplus has gone for the time being. America's current efforts to right its deficit may take some of the burden of adjustment off Germany's shoulders—a part of the burden that the Germans have long argued was unfair. German bankers are still hoping that the Americans will finally be forced to raise interest rates to supplement their present efforts. The recent speech by Mr Martin sounded "helpful and realistic" to German ears, even if the harking back to 1929 was not taken over-seriously. Help could also come from elsewhere. On current account, there is at present a sizeable deficit. Later in the year, when pressure on the economy is expected to ease and the current account to recover, Britain's efforts to achieve a big export expansion could (say the Germans—with tongue in cheek?) knock a sizeable hole in Germany's foreign markets. And if the French and Italians, also, mean what they say about curing inflation, Germany may really have lost some of its long-maintained advantage of more stable costs than other continental countries. (Or should one, in this curious looking-glass world of German economic phraseology, call that a disadvantage ?)

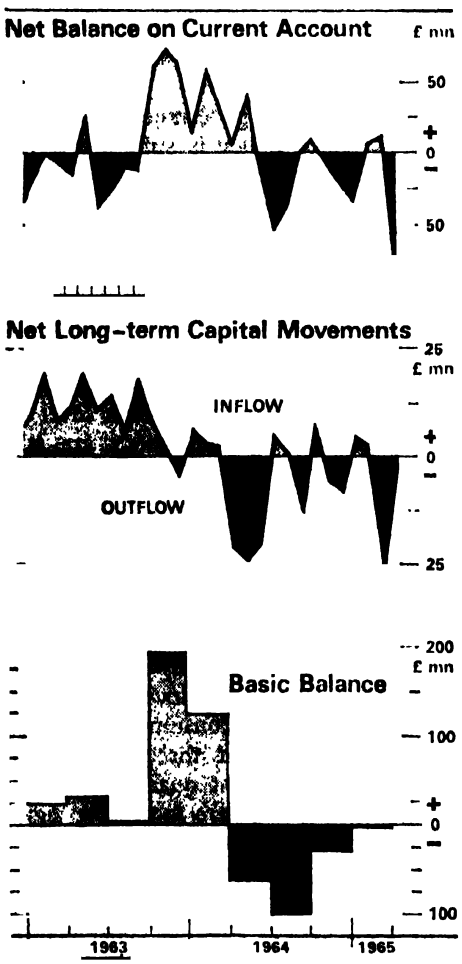
It is, indeed, rather curious for any government to rejoice in a payments deficit, and official policy is suffering heavy criticism. While the Bundesbank believes that its prompt action after the big external surplus of 1963 has moved the economy on to a path of long-term balance, industrialists and private bankers are suggesting that the Bundesbank panicked last year and has now gone too far. Exports, they point out, are up only 10 per cent so far this year compared with 12 months ago, while imports have risen by 28 per cent. The Bundesbank's reply is that this export performance is still a very respectable achievement, given the very high level of internal demand, and shows that German goods are still competitive.

FOR all the squeeze, economic activity in Germany continues at a very high rate. Private capital expenditure grew by 12 per cent in 1964, compared with only 2 per cent in 1963, and looks like rising even faster over 1965 as a whole. Private consumption, too, has increased more rapidly in the last few months. Public consumption, which had grown only moderately in the first three-quarters of 1964, has again accelerated since the last quarter of 1964. Prices have continued to rise, and there are increasing signs that the generously-fixed target for "relative price stability," which allowed a general rise in prices of as much as 3 per cent, is likely to be overstepped in the second half of the year. Export prices went up by 4 per cent in 1964, or considerably

more than domestic prices (2.5 per cent) or the average export prices of western industrial countries (about 1.5 per cent).

The Bundesbank believes that the time has now come when the growth of internal demand must be checked. Otherwise, the rise in prices could get out of hand. On the domestic front the present monetary strategy has been aimed largely at getting some slowing down in private and public building activity. Already, some success has been achieved. The mortgage banks, whose bonds take such an inordinately high share of all the money raised on German capital markets, are at last beginning to be squeezed. Most of the money they raise finds its way into private house-building and local authority spending. The result could be a slowing down of building activity, with repercussions on the rest of the economy later in the year. Together with weaker demand for exports and a slowing down of stockbuilding, this is expected to give a growth rate of perhaps 5 or 6 per cent over 1965 as a whole compared with 7 per cent in 1964. In 1966, the official growth target will probably be brought down to around 4 per cent, although some of the experts would prefer a lower rate. If the deterioration in the current trade account continues and is not offset by a renewed big inflow of capital —one of the several things that the Germans like to call "imported inflation"—the proponents of a slower advance in 1966 may yet see their wish fulfilled.

In its annual report for 1964, the Bundesbank suggests that the rapid rise in export prices last year represented an adjustment to a rise of costs that has still left Germany's exports competitive, as their performance this year shows, but no longer overwhelmingly so. And Germany expects to be the only Common Market country to show a bigger rise in unit costs this year than in 1964. The surplus on visible trade in the first four months of 1965 was down to £100 million, compared with over £280 million in the same period of 1964. At the same time there has been an increase in remittances by immigrant workers that has helped to increase the deficit on services to £77 million in 1964, compared with less than £18 million in 1963.



On capital account, the first four months of 1965 have seen a net inflow of long-term capital of £16 million—this despite a net disinvestment in German shares of £50 million—indicating a heavy inflow of direct investment in the first few months of the year. Most of this was American capital rushing to beat President Johnson's restrictions, and the inflow disappeared by April. The result was still a basic deficit for the first four months of the year equal to over £80 million on current and long-term capital account. On top of this, there was an outflow of short-term capital to the extent of some £125 million. However, the loss to the Bundesbank's gold and foreign exchange reserves was only £50 million thanks to a balancing item of nearly £160 million, caused presumably in part by changes in the leads and lags of trade payments reflecting speculation against the pound.

THE basic reason why Germany's long-term capital account so often adds to, rather than mitigating, surpluses on current account is the unwillingness of German industrialists to invest abroad. Partly, this unwillingness is founded on their experience of losing their overseas investments during two world wars. Partly, it is because the Germans have never gone in for investing heavily in sources of raw materials abroad in the way that the United States, Britain and France have done, being content to buy whatever they needed on the world market. While the home economy continues to grow at the rate it has achieved since the war, it is hard to see this picture changing very much. The outflow of private long-term capital from Germany totalled only £160 million in 1964 while foreign private investment in Germany was worth £176 million. However, some progress has been made in encouraging the raising of foreign loans on the German capital market. About £80 million was raised in Germany in 1964 in this way, compared with only £14 million in 1963 and £9 million in 1962.

The extent to which capital can be exported in this way is limited by the weakness of the capital market. At present, this has almost come to a halt because of the credit squeeze on the banks, which have reacted by reducing their bond purchases sharply while maintaining a smart rate of credit expansion to their customers. The loan that British Petroleum tried to float in Frankfurt recently was a casualty of this state of affairs. The market can hardly recover even such vigour as it had while interest rates remain at their present level. But the Bundesbank is not inclined to relax the credit squeeze at this stage, particularly while it can expect so little fiscal help from the government. Some of the experts think that the damage to the capital market could have been avoided if the Bundesbank had controlled the supply of credit to the economy by directives of the type recently employed by the Bank of England, rather than by attempting to squeeze the banks' liquidity position. In Germany, as in Britain, trying to act on the liquidity ratio has proved to be of little effectiveness.

If interest rates were to rise on the other side of the Atlantic, it might also be possible for the Germans to withdraw their coupon tax on foreign owners of German shares, the purpose of which was mainly to prevent an inflow of portfolio investment from the United States in search of higher yields. Opening the market up to foreign lenders again would certainly give it more flexibility and might in the long run encourage a greater participation by small German investors. Apart from

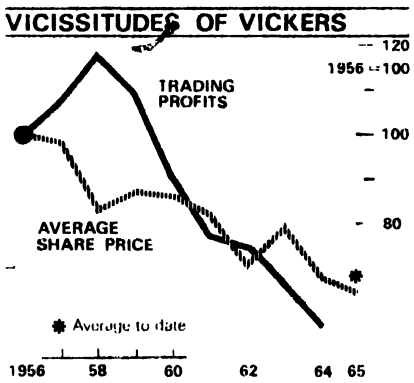
the damage it may do to investors' confidence, the present level of interest rates gives a high enough margin over returns in some other centres to offset the coupon tax entirely. The Bundesbank is concerned that a new inflow of capital—from Switzerland, if not from the United States—may soon show up as a result. On the other hand, the authorities deny that the coupon tax was a mistake. If it had not been introduced to help the American balance of payments, they say, it would have had to be brought in by now to bolster the domestic credit squeeze. By being introduced in time, it probably prevented the squeeze from being even tougher.

Only time can show whether the days of chronic German surpluses are really over. This year, at least, its rapid advance of imports looks like providing a welcome stimulus to the international economy at a time when so many countries are in the throes of deflation.

Vickers Undefended

Can an old armourer turn his hand to civilian equipment somewhat more demanding than ploughshares? For a decade, Vickers' shareholders have been given no reason to think so. The group's new managers are brave: the prospects, still daunting

SUPPOSE, for argument's sake, that steel did get nationalised. Then a company like Vickers Ltd., which owns 75 per cent of the English Steel Company, might get between £30 million and £40 million in compensation. This is just about the size of sum that Vickers needs to buy its way out of the nineteenth and into the second half of the twentieth century. It might, of course, be better to return the money to the company's shareholders who, allowing for inflation and for the fall in their share values, have had roughly a nil return on their investment for the past ten years. But since steel may not be nationalised, and there may therefore be no multi-million pound windfall, the modernisation of Vickers will probably go on the hard way—slowed down by a shortage of cash to do the kind of drastic things that everyone knows ought to be done, if only the means were at hand.



But look what the management is up against. Vickers is a name redolent of history, a mixture of nineteenth century works and twentieth century wartime expedients, a far cry from a properly integrated group. The name has always meant primarily armaments: once Dreadnoughts and heavy machine guns: since the last war, primarily fast small ships, frigates and the like, submarines—some now nuclear-powered—and tanks. The works in which these are made are inevitably concentrated in the older industrial areas, Tyneside and in the isolated Barrow-in-Furness area in North-west Lancashire: the Barrow area is Vickers' fief, with a suburb called Vickers-town.

This capacity for both engineering and shipbuilding is responsible for a bare third—£55 million—of the group's £161 million turnover, which puts Vickers into the middle range of engineering companies, dwarfed by a real giant like, say, Guest Keen and Nettlefold with a £338 million turnover. The balance does not come from anything that Vickers builds itself, but from its 75 per cent holding in the English Steel Company and from sales of the VC 10—the aircraft remaining after Vickers had put its other aeroplane interests into the British Aircraft Corporation in 1960, in return for 40 per cent of the shares. The £39 million of aircraft sales last year were VC 10s, Vickers' last and most expensive project as an independent aircraft company, and the accounts allow for a £15 million loss on this aircraft over the next few years. The VC 10 was financially the worst headache that the present management of Vickers has inherited, but it is at least accepted and self-liquidating. Other inherited problems do not have so finite a solution.

For Vickers' proud role as part of this country's strategic reserve has its price—under-utilisation, during periods of comparative peace, of plant that does not adapt to peaceful uses. Also, and more important, it stifles an original attitude to design. When a company's key customer is the services, it gets accustomed to taking their orders rather than thinking for itself. Vickers could complain that it has been turned by its main customer into a company of blacksmiths run by production engineers now mostly in their 50s with little experience of designing or selling plant and machinery in commercial markets. In engineering the design of plant, and the organising of a consortium to build the most complicated factories can be the most profitable part of the business, and attract the brightest, most thrusting engineers. Of course such consortiums can run into trouble if, like Vickers with the Government, or the atomic power consortiums with the Central Electricity Generating Board, or steel plant makers with the British steel industry, they are faced with a monopoly buyer. Equally, plant manufacturers face a sharply cyclical market, which defence suppliers can—sometimes—avoid. But this is the kind of work into which any heavy engineering group will naturally move. And in plant manufacture two sorts of concerns can flourish: the "packaged dealer" with a wide spread of expanding customers, such as the chemical engineers, and the specialists, able (again like some of the chemical engineers) to design and make the most specialised parts of a product. Vickers, bent on diversifying more into civilian heavy engineering, is not in either of these situations, except for one new company, which is making and selling a full range of medical hardware, from newly designed hospital beds to oxygen equipment. Instead, Vickers decided after the Korean war to be a vast jobbing engineer, taking on orders and new lines to fill capacity, and not, in the main, developing its own products.

THAT was a natural decision in the cosy undemanding atmosphere of business ten years ago. It reflected the conservatism of the company, and would probably have been made by the majority of engineering directors at that time. It was disastrous nonetheless. The effects became apparent in the late 1950s. Profits and share prices both show that Vickers was suffering at the same time from the aftermath of the rights issue of shares in November, 1957, spectacularly designed to coincide with the increase in the Bank rate to 7 per cent that year. Vickers' shipyards shared the boom years of ever-extending orderbooks—but then too the lean years when those orderbooks melted down unreplenished. It had an unhappy venture into earthmoving, with a big caterpillar tractor that had teething troubles and never really found a market. All its problems were aggravated by the non-success of the Vanguard turbo-prop airliner, confidently but mistakenly expected to be a successor to the fabulous Viscount, and with the birth pangs of British Aircraft Corporation. Vickers has also been called upon to supply £26 million for English Steel's Tinsley Park scheme, in itself a necessary and well-thought out expansion by a well-run specialist steel concern. The famous and now traditional 10 per cent dividend that has given Vickers the nickname of the "fixed interest equity" has been neatly offset by the progressive decline of Vickers' share price; allowing for inflation, Vickers' shareholders have received virtually no return from their investment in the last decade. This contrasts with the 7 to 9 per cent real return on their investment that shareholders in the average British company have been getting over the same period—again allowing for capital appreciation but also for the ravages of inflation.

Within the last three years the present chairman, Major-General Sir Charles Dunphie, and the managing director, Sir Leslie Rowan, who joined the group four years ago from the Treasury, have reversed their predecessors' policy decisions. They have accepted that Vickers' traditional fields of activity and its traditional productive capacity are inadequate bases for the future, and are trying to metamorphise the group into a large, diversified engineering holding company. At the same time—and this is a policy they have inherited—there has been a good deal of hiving off of earlier diversified parts of an empire that had been accumulated in fits of absent-mindedness. Vickers' ownership of the punch card manufacturers, Powers Samas, has been transmuted into a 22 per cent interest in International Computers and Tabulators. With aircraft the same has happened; the Canadian Vickers group is now only 53 per cent owned. The hiving-off process will be continued in Australia and possibly also with Hanz Zimmer A.G. in Germany. But the main effort has been on new fields and Vickers now has a number of successes to report. In accelerated freeze-drying equipment it was, ironically enough, ahead of its customers in this country and had to wait until the Irish Sugar Board had demonstrated how successful such a plant could be for the orders to come in. Its brewery equipment company, Robert Boby (where Sir Charles Dunphie worked before becoming chairman) has been consistently profitable. The medical equipment division has clearly a very interesting future. So, probably, have Vickers' interests in pump machinery, postal mechanisation and the like.

In taking these steps, Vickers is abandoning a lot of plant and a lot of men and is having to invest heavily in new models of both. This creates two problems, one of managerial staff, and the other that of the reorganisation of present works that may have only a tenuous connection with new products. The problem of managers is simply stated. Vickers, a company of production engineers, is having to find a headquarters staff capable of the financial and technical analysis of possible future projects. And in a group where promotion by Buggins's turn has been sacrosanct, new assessments of managerial capabilities has had to be painfully evolved. Any number of Bugginses are now missing their turn. At the same time Vickers is being reorganised as a normal holding company with separate divisions for engineering and shipbuilding, each containing a number of companies responsible for their own profits, instead of a federation of units. It is only recently, after all, that managers have started to be transferred between factories. This is an elementary reshuffle—Vickers has done what Messrs McKinsey had suggested—but a belated one.

The delay in reorganisation and the fact that Vickers has tied up so much of its credit and cash in new steelworks and aircraft makes it doubly difficult to enter new engineering fields. Vickers needs to multiply engineering ventures with amoeba-like rapidity, but has not the cash to buy diversification. If nationalisation came, the compensation for English Steel could provide it. Vickers could turn to joint companies where applicable; merge the shipbuilding interests on the Tyne with Swan Hunter, with whom Vickers has made a joint bid for the next Cunarder; sell off surplus capacity, and perhaps persuade the government to nationalise its armament works as extensions to the Royal Ordnance factories. It is difficult to estimate the final value of such a liquidation process: but it would certainly be greater than the present price of the shares, so much greater that a bidder might be attracted. Vickers might then look a promising victim, with a poor record, stuffed with cash from sales of the VC 10 and English Steel, and scattered shareholdings.

But without steel nationalisation, the prospect looks less dramatic. Vickers has a number of strengths: its capacity at Barrow is fully booked for some years with orders for atomic submarines, and work for these flows over into the engineering workshops there. The group could, like General Electric five years ago, be transformed by the injection of young management from a smaller company anxious to try its hand on bigger things. But there is no sign of this yet. At the moment Vickers has some very promising individual companies. But these are not enough. In Germany or Japan—where heavy engineering firms had to put defence firmly behind them longer ago—could Vickers have survived?

MARKETING IN EUROPE

A monthly research publication

Issue 32, June 1965 features:

BABY FOODS IN FRANCE

CONFECTIONERY IN GERMANY

Further details and subscription rates:

THE ECONOMIST INTELLIGENCE UNIT

Spencer House 27 St James's Place London SW1 HYDe Park 6711 ext 27

60 East 42nd Street New York NY 10017 Murray Hill 7-6850

BUSINESS □ BRITAIN

ENERGY POLICY

Trimming Coal's Burden

MR FRED LEE has decided that the capital reconstruction which as Minister of Power he promised the National Coal Board earlier this year shall lop £400 million off the board's £950 million odd of capital, i.e. debt to the ministry. This, he told supplementary questioners in the Commons on Friday, would reduce the board's interest payments—about £50 million last year—to some £32 million a year. In addition, the Government will give special financial assistance to the board to help it speed up the rate of closing uneconomic collieries.

As Mr Lee said, NCB output has come down about 30 million tons already from its peak of nearly 230 million tons in 1955, and has almost certainly farther to fall, even if the present degree of protection of coal is continued. Few people imagine that coal consumption in Britain can exceed 175 million tons by 1970, against 187 million tons last year: allowing for a small margin of exports but also possibly for that inland consumption estimation being too high, this would mean an output of no more than 170-180 million tons a year for the Coal Board.

Compare that present prospect with the capacity of 230-240 million tons deepmined that the board has spent well over £1,000 million since 1949 to try to create, and the industry's capital burden certainly looks unrealistic. That £1,000 million (much of it by now admittedly written off) was intended to raise capacity about 40-50 million tons a year above the level that the board began with on vesting day: it is producing little more than that original tonnage nowadays, though with far fewer men. So the £400 million, which has inevitably to be an arbitrary figure, is perhaps near enough to the mark. Exactly how much it will reduce interest payments will depend upon which tranches of the Board's exchequer advances are in fact cancelled: but probably it will cut them by about £18 million.

There is no need to call this a subsidy; as *The Economist* commented last week, it arises from the anomaly that British nationalised industries have wholly fixed-interest capital so that even when capacity has been closed down they still have to pay interest on the capital. For such industries in decline—the railways, BOAC, and now the Coal Board—this is an embarrassment (it has to be noted that for those with steadily expanding business like electricity it is, conversely, very nice indeed). What really matters is that the prices of current coal production ought not to have to bear this extra burden; and that to help coal keep its prices down in this way is far more sensible than most of the protective devices that the Government and the industry have relied on so far.

BALANCE OF PAYMENTS

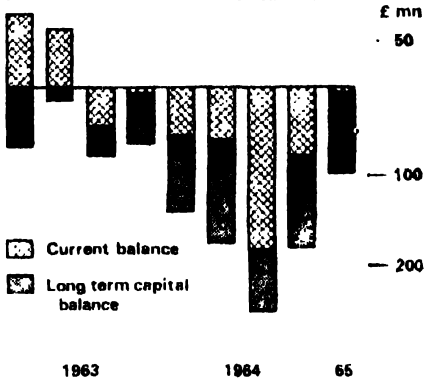
No Cheer for Sterling

ALTHOUGH Britain's balance of payments figures for the first quarter showed the improvement that was expected, they have done little to restore enduring confidence in sterling. Indeed, the rumours of devaluation that briefly swept Wall Street on the eve of Mr Callaghan's visit to Washington this week testify to a widespread jumpiness, however unjustified it may be. True, this did not spill over into the foreign exchange market, where trading volume remains thin, as it has been over the past two weeks. But even here a firming of the forward discount on sterling suggests, these days, not an improved outlook so much as further official purchases to prop the rate against continued market hedging. And this week the normal pressures of a Friday could be aggravated by the release of Britain's reserve figures on Friday afternoon and by the long American Independence Day weekend.

Yet it is the longer outlook that matters, and here the latest balance of payments figures give only moderate comfort. The improvement in trade, which partly offset an unusually heavy outflow of capital in the first quarter, has not been maintained since. And there is no guarantee that the Budget's discouragement of overseas investments and more stringent foreign exchange controls will quickly prove effective in curbing the drain on capital account. Much depends on these measures if Mr Callaghan is to achieve his objectives of reducing last year's deficit of £745 million on current and long-term capital account to one of £300 million this year, and of eliminating it by 1966.

The first quarter's deficit of £97 million on current and long-term capital account compares with one of £180 million in the final quarter of 1964 and one of £251 million in the third quarter. The big swing in the first three months of this year was on current account covering goods and services.

BRITAIN'S PAYMENTS



where a deficit of a mere £7 million actually turned into a £6 million surplus (the first in almost two years) when seasonally adjusted. Here, the effect of the New York dock strike in holding up shipments of exports to Britain in February and March was largely offset by unusually heavy remittances on the part of British subsidiaries of foreign companies, reflecting uncertainty about sterling as well as pressure on United States companies to repatriate funds. While

KEY INDICATORS

THE BRITISH ECONOMY	Month	Index 1958 100	Percentage change from: Previous month	Three months ago	Twelve months ago
Industrial production	April	131	+1	−1½	+3
employment *	April	103·9	−0·3	−0·4	+0·4
productivity *	April	126·1	+1	−1	+2½
Export trade *†	May	126	−2	−4	−2½
Retail trade *	April	122	−2	−1	+2
Unemployment*	June	76·6	+1·6	+0·8	−13·7
Wage rates (weekly)	April	127·0	+0·2	+0·7	+4·1
Retail prices	May	121·2	+0·4	+2·6	+5·0
Export prices	April	109	Nil	+1	+3

** Seasonally adjusted. Indicators of export and retail trade reflect movements in volume terms, i.e., in value at constant prices. Unemployment indicators refer to numbers wholly unemployed, excluding school-leavers. Total unemployment level in June running at an annual rate of 1.4 per cent. †Provisional.*

the first of these factors has now vanished, the second continues, suggesting that current account may contribute somewhat less over the remainder of the year than it did in the first quarter. Here, however, some hope is held out by the latest German undertaking to help offset the foreign exchange costs of British forces in Germany by spending up to £127½ million on British goods in the period to March, 1967, with an advance payment of £42 million this month.

The Capital Drain

YET it was the current account that offset a further heavy drain on capital account in the first quarter, and this surely reflected in part continuing uncertainty by investors at home and abroad—Kuwait, for one, disclosed this week that it has halved its sterling investments to £90 million since 1963, and much of this reduction was probably recent. At £90 million, Britain's first quarter capital outflow was down only slightly from the preceding quarter's £102 million, and all of this small drop was more than accounted for by a seasonable decline from £44 million to £14 million in government net capital outlays abroad. Indeed, British private investments overseas rose to a record £118 million, while private foreign investment in the United Kingdom continued its steady decline, to £42 million.

A further adverse factor in the present situation is that the overseas sterling area makes no contribution to sterling reserves as a whole, because depressed commodity prices continue to cut into primary producer's earnings. On the contrary, the overseas sterling area's balances in London were run down by £84 million in the first quarter, and the sterling balances of other countries by an additional £59 million (excluding changes associated with central bank co-operation). Thus it was only a heavy flow of Euro-dollar loans attracted by high interest rates to local authorities that partly offset this drain and held down the net outflow on short-term capital and unidentified flows to £46 million.

Altogether, the amount that had to be financed from the reserves or from credit lines with overseas central banks totalled £143 million. And here, one of the most interesting revelations of the latest figures is that during the period Britain leaned on central bank assistance to the tune of £148 million in order to finance the outflow and still show the fictitious rise of £5 million in the reserves given out in the increasingly meaningless monthly statements of gold and foreign exchange holdings. With the latest of these due to be issued for the month of June on Friday afternoon, the foreign exchange market will once more have to attempt its own guesses of the true position. One published estimate, regarded as plausible by some London foreign exchange dealers, was that sterling support cost the authorities up to $200 million in June.

AMERICAN ORDERS

Cornucopia, Second-Class

THE surprise and cynical scepticism with which British shipbuilders originally greeted the news, apparently confirmed in Washington this week, that the American Department of Defence is considering ordering ships in Britain is understandable, considering that the American shipyards are among the most highly protected in the world. And Congress, notoriously ship-happy, has not yet said what it thinks of the proposal. But if one considers that the Secretary of Defence may have sound domestic reasons for wanting to place some defence orders outside the United States, current overtures from the Pentagon become easier to understand. Mr McNamara is moving into a situation in which his British counterparts have been for nearly a decade; with a dwindling arms industry, defence orders have to be handed round in turn to keep capacity alive, a procedure that inevitably reduces competition and increases prices. Inviting, or merely threatening to invite foreign bids is one lever that Mr McNamara can use to bring home defence prices down, and the shipyards are not a bad place to start. Admittedly yards in other countries might under-cut any British bid, but Mr McNamara seems to have committed himself fairly firmly to buying enough equipment in Britain to offset some of the more expensive British arms purchases from the United States, like the F-111, for example. Some of these American orders are likely to be aircraft systems and electronics; one field where British designs are good and American prices are . . . let's say just that they are high and leave it at that. What no-one can be sure of is whether, however, the American Secretary of Defence merely intends to buy enough to offset the cost of F 111s to Britain, or enough to frighten his own home suppliers into bringing their prices down, or whether he really is waiving the Buy America act and preparing to consider foreign designs on their merits.

RPM

Jericho Falling

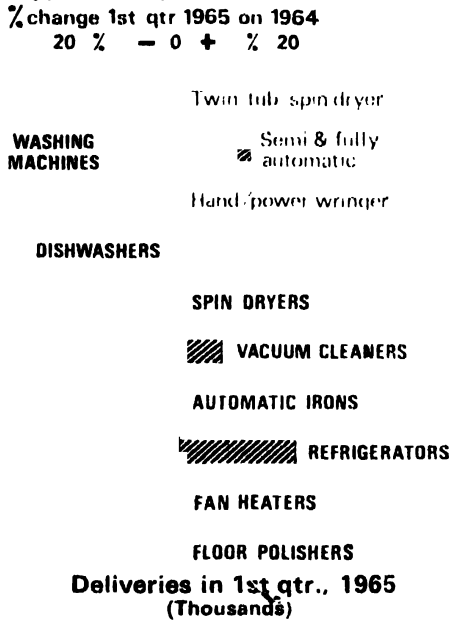
WHY did Hoover do it? And so publicly? One must assume that the company had been advised, like the motor industry and the Distillers group before it, that an application to keep resale price maintenance on its products had a snowball's chance in hell of getting approved by the Restrictive Practices Court. But it is likely to take another two years before the court gets around to hearing Hoover's and the other electrical manufacturers' case to keep RPM on their goods. Meanwhile, all manufacturers who had registered RPM agreements were entitled to enforce them. So why Hoover's decision to announce this week that it was throwing in the sponge, and withdrawing its registration, and abandoning RPM?

The chart suggests at least one reason. Sales of a range of domestic electrical equipment are down on a year ago, with one or two conspicuous exceptions where they are shooting up. In either case, the company that can cut its prices gets the advantage. Hoover has not cut its prices, but by ending RPM it gives retailers an opportunity to cut theirs and some of them have, by ten to fifteen per cent. This can bring down the price of an automatic washing machine—the one type of washing machine selling well—by as much as £14.

Such price-cutting, even by a minority of shops, must make other manufacturers wonder whether they can afford going on insisting that their resale prices shall be observed. But the more important, long-term effect must be on the Restrictive Practices Court. How will it view an application to keep resale prices in an industry when a manufacturer of Hoover's reputation publicly dissociated itself from it? Distillers' decision not to fight for RPM has raised the same question in the drink trade; the motor industry did not even bother to attempt to register its agreements. It is possible now that many of the applications for exemption before the court, running to several hundred, will wither away without a hearing. The procedure for claiming exemption is so ponderous that the first test cases, on sweets, drinks hard and soft, shoes, television sets and so on, will take at least a year to get through the machine; and manufacturers can withdraw at the eleventh hour, even at five minutes to midnight if they choose. The die-hards are putting a

Home Deliveries

% change 1st qtr 1965 on 1964



Deliveries in 1st qtr., 1965
(Thousands)

Washing machines:		Spin dryers	79
Twin-tub/spin dryer	117	Vac. cleaners	261
Semi- and fully automatic	47	Automatic irons	307
Hand/power wringer	41	Refrigerators	236
Dishwashers	5	Fan heaters	113
		Floor polishers	8

good face on it. But once one would have numbered Hoover as one of the most determined of them, and now Hoover has openly admitted that resale price maintenance has become more and more of a farce, with trade-in allowances on household capital goods increasingly generous. Jericho has not capitulated; but there are breaches in the walls that were not there a year ago.

CEMENT PRICES

Let Them Go Up

It might be a good thing for the construction industry if Mr Brown were to let the cement industry put up its prices; at least, Mr Aubrey Jones might be asked to look at the economics of the proposed rise. Granted the makers should have thought ahead a bit and increased capacity in time to cope with the surge of demand which is now causing such frustration. But they did not. So they are having to scour Europe for supplies. And these are expensive. The price of bulk supplies of cement delivered in the City of London is 114s. a ton; but the manufacturer making up an order with imported supplies probably has to pay an extra £2 or £3 a ton for these marginal supplies. Imports this year will probably account for only about 5 per cent or so of total deliveries—of about 17 million tons. This was the main reason for the suggested price increase of 6s. 6d. per ton.

The cement companies are also having frantically to build new plant or extensions to existing works. This is expensive too. It is uneconomic to build units smaller than 300,000 tons annual capacity and the capital cost is £15 or £20 per ton. Even an extension costs roughly £7 to £9 a ton. The manufacturers can certainly afford it. But their argument has always been that they can only keep prices down if they operate virtually at capacity. And while they invest on this principle, the British economy seems pretty certain to be short of cement whenever it manages to achieve a construction boom. To induce these over-cautious manufacturers to invest in a somewhat bigger reserve of capacity might be worth a small price increase—though there is the danger that covering the price of marginal imports for them now will simply allow them to relax again in their capital investment. If Mr Aubrey Jones—who should remember a lot about profits at given levels of capacity in an industry not over-given to rapid investment—thought their argument about capacity justified, this might be an increase in price that would help productivity, not operate against it. After all, cement accounts for only about 6 per cent of road building costs and roughly half that in building structures.

SHIPBUILDING

Better, Brighter

British shipbuilders have had their best six months since 1961—over 900,000 gross tons of new ships ordered since the beginning of the year—compared with 665,000 g.t. during the same period last year. Completions are also running at a high level: 544,642 g.t. delivered in the first five months of the year—compared with 385,986 g.t. last year and 372,132 g.t. the year before. It would be nice to report that these figures herald the end of the doldrums for Britain's shipbuilding industry; but in all conscience one cannot yet.

Many of the ships completed so far this year were laid down under the previous government's shipbuilding credit scheme, while the improved order book is closely related to improved credit facilities that have been offered since January to foreign owners—at a time when credit has become increasingly difficult to obtain elsewhere. But there is little doubt that these credit facilities would be sufficient of themselves to attract even more orders to Britain if buyers could be sure of delivery on time—and this is where the crunch has started to come. Last week P & O made it clear that doubt about British shipyards' ability to keep to promised delivery dates had influenced its decision to order three fast cargo liners in Japan—though prices probably influenced the company even more. This is the kind of tonnage that British shipyards have always prided themselves on building better than anyone else; but with more British cargo liners being built in Japan—the Ocean Steam Ship Company already has two cargo liners on order there—British shipyards are in danger of losing even this supremacy.

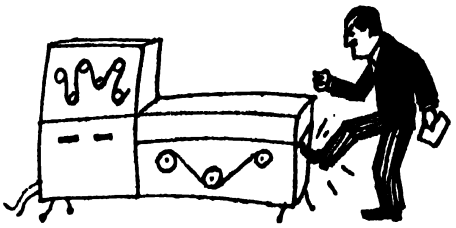
With a minor boom on their hands, shipbuilders are blaming delivery delays on a shortage of skilled labour—employment figures in the industry are down 13.5 per cent to 211,000 in four years. But there has been no lessening of unofficial strikes or of sub-contractors' delivery delays that have long plagued the industry, though in fairness it should be said that many shipyards are meeting deliveries without these troubles, or in spite of them.

BANKS

Computing Responsibility

Mr Justice Mocatta, in the Queen's Bench Division, has gone a long way towards suggesting that the installation of a computer does not necessarily absolve a bank's staff from passing the cheques they receive under human scrutiny too. The plaintiff before him was Mr Joseph Burnett, a bookmaker who has one account at the Borough branch of the Westminster Bank and another at the Bromley branch. In January this year, Mr Burnett wrote out a cheque for £2,300 on a Borough cheque, but as he wanted the money drawn from the Bromley account he altered the cheque accordingly. However the bank's computer can recognise only magnetic ink characters; it could not pick up the alterations Mr Burnett had made in ordinary ink; none of the bank's staff noticed the penned alteration; and so the cheque was sent to the Borough branch and paid out there, although Mr Burnett had in the meanwhile instructed the Bromley branch to stop it. In court, he asked for his money back.

Mr Justice Mocatta gave it to him, and refused to accept the Bank's contention that the customer was bound by a warning in the Borough cheque book that cheques were to be used only for accounts at that branch. The contract between the bank and Mr Burnett had been in existence some time, and conditions had not previously been printed on cheque books. It might have been different, the judge thought, if the cheque book had been the first issued to a new customer; and had the warning been printed on the cheque itself, that might have been different too. As it was, the bank was not protected.



In another case the week before, Mr Justice Mocatta had gone some, if not all of the way towards answering the vexed question of: What is a bank? Here, United Dominions Trust won an action whose success depended on the company's ability to satisfy the judge that it was "a person *bona fide* carrying on the business of banking." In this instance, Mr Justice Mocatta did not rule that the provision of current account services in itself constitutes banking; and he expressly left undecided, apart from the case before him, whether it is possible to be a banker without providing this service. All he ruled was that the provision of current account service, plus the collection of cheques for customers, plus the granting of overdrafts amounted, when taken together, to more than a "mere facade" and thus qualified UDT to be classed as a bank. There may not be a universal, watertight definition of banking here; but the ruling seems to mean that the provision of a number of genuine banking services qualifies a company as a bank.

BIG JETS

BOAC's Permutations

The cautious admission that the British Overseas Airways Corporation was inquiring among manufacturers about 250-seat jets conceals some extraordinarily complicated manœuvres going on behind the scenes. The corporation has not yet completed negotiations with Vickers Ltd about the price of its VC 10s. The final price per aircraft, now nudging £4 million each, will depend on how many BOAC eventually buys—the more, the lower. The lower also will be the compensation that the corporation has to pay over and above this for VC 10s cancelled. The corporation originally ordered—firmly—42; the first dozen

were small, the remaining 30 were Super VC 10s. It now actually needs only seven of the supers, the rest are surplus; it has been ordered by the Government to take up to 17, while 3 have been diverted to the RAF and the remaining 10 put on ice. But legally, they are all still ordered; legally, BOAC has to pay compensation if it does not take up all of them.

So the dilemma is this: Should the corporation follow the narrowly sensible course, which is to take only seven Super VC 10s, cancel the remainder and buy for its long-term future requirements the 250-seat version of the Boeing 707 jet, the prototype of which is due to fly next year? (These big extra-jets, with their much lower costs, will have a decisive effect on air fares and airline economics, four years from now.) If BOAC does, it faces a huge bill plus massive cancellation charges from Vickers. Should it, therefore, decide it would be cheaper in the long run to take the VC 10s still on order, or most of them, in which case it would have far too many aircraft and must sell its present fleet of 15 Boeing 707s, while these still command a fair second-hand price. Financially, this could be the more expedient course, for the more VC 10s built, the lower the price Vickers might be prepared to negotiate and this in turn brings down slightly the aircraft's operating costs although they will always be higher than the 707s. Or, finally, should the corporation offer the olive branch, and hope Vickers will, financially, let bygones be bygones if it orders a 250 seat super-super VC 10, for which someone, BOAC? the Government? the British Aircraft Corporation? is going to have to pay the development costs, but which would give BAC some work? All one can say with confidence is that this is not the way to run an airline.

SHORTER NOTE

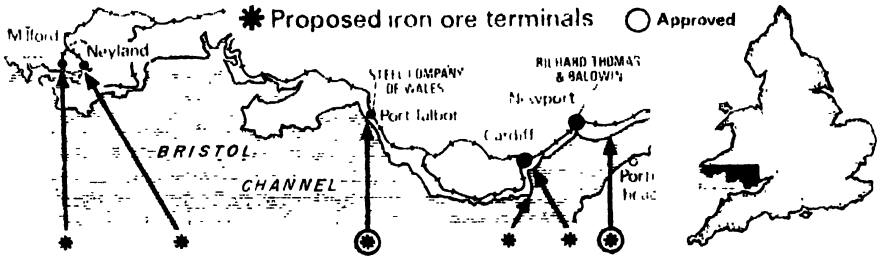
Imperial Metal Industries (Kynoch) Ltd., a subsidiary of ICI, with a virtual monopoly of sporting cartridge production in this country, has just come up with a plastic-cased waterproof cartridge that could be a winner. Plastic cartridges are not new—the Americans have had them for some time—but IMI is producing its cartridge casing on a continuous flow process which should be cheaper than the batch production system used in America. IMI produce 100 million cartridges a year and export 40 per cent of them worth £1.8 million. The company, which considers itself the biggest exporter of cartridges in the world, hopes the new one will prove particularly attractive to sportsmen in the humid countries in Asia and Africa, but it also looks good to any wildfowlers and other shooting men in this country who have spent the best part of a shoot muttering Greek iambics to themselves after a damp paper cartridge case has jammed a barrel of their shot gun. The plastic cartridge casing is being produced on a German machine designed originally for the production of cold-water pipe made from high density polyethylene.

Ore to the Steelworks

THE Government, in a white paper published this week, has at last given its decision where the bulk terminals for iron ore that a number of parties have been clamouring to build shall go. The two main contestants, Richard, Thomas and Baldwin, and Steel Company of Wales, are both to get the go ahead—subject to the Government's mind being changed in debate—at Newport and Port Talbot respectively. Together, the terminals are expected to cost £34 million; for Newport the whole £16.4 million to be paid by RTB and for Port Talbot part by Steel of Wales and part (to be negotiated) by the British Transport Docks Board. Both will be able to handle ships of up to 65,000 tons (which the British Iron and Steel Federation reckons is the limit beyond which little extra economic advantage will be reached) and both can be extended to take 100,000 tonners. There the similarity ends. Steel of Wales's schemes for Port Talbot involves dredging out a new channel and greatly enlarging the present tiny harbour (which only takes ships up to 10,000 tons). RTB, which can take 30,000 ton ships on favourable tides, plans to put the harbour in the middle of the Bristol Channel, rather than bring the deep water close to the land, with a 4½-mile jetty that reaches to the Bristol Deep, within three-quarters of a mile of the south shore. The new terminals could reduce ore costs to the two steel works by 10s a ton, equivalent to 25s a ton on finished steel costs. They would also widen the companies' scope for buying ore since the low transport costs of the bulk carriers could turn fields as distant as Australia into possible suppliers.

In South Wales, which takes half of Britain's imported ore, the choice lay between terminals serving the individual works—which the White Paper has recommended—and common terminals serving both, at an obvious capital saving. Eight sites were considered altogether, for as well as common terminal proposals for Port Talbot and Newport, two were put forward for Milford Haven, where Steel of Wales had first intended, in 1959, to build one for itself, and two for Cardiff. On straight capital costs, comparing projects for harbours to take 65,000 tonners bringing in 10 million tons of ore a year, the steelworks' individual terminals, at £34 million, compared with only £9½ to £21 million for the common terminals. But considering operating costs as well—which included for the common terminals the extra costs of transport and handling—on a discounted cash flow basis over 50 years, all the projects worked out within 10 per cent of each other. The Ports Council therefore took into consideration the obvious and not easily quantifiable operating advantages of running a terminal closely with the steelworks it supplies; not least the advantages in a strike-prone industry of cutting down the amount of handling.

So the split result is not the spineless Government compromise, raising fearful memories of the rolling mill split between Colville's and RTB in 1958, that it might seem at first sight. However, the White Paper is not the end of the road. Steel of Wales, enlarging an existing port, can start work as soon as it gets the Minister of Transport's approval, almost a formality. But RTB, poking a noisy, rattling finger nearly into Weston-super-Mare's eye, needs the Minister's consent, which is quite different. Tests are being carried out to determine the effects on the estuary regime of the jetty; offshore loading is not necessarily a problem—the oil industry does it all the time—and difficulties in berthing the monster carriers in one of the country's busiest shipping lanes—and one, moreover, that runs a 40-foot tide—can be overcome. (That is, the Bristol Harbour authorities, in whose purlieus the jetty ends, say they can be, although some shipping companies are still saying they cannot be.) But the question of the effect on the amenities of north Somerset coast is bound to be hotly debated still. Much expert evidence was taken when the Government considered the Welsh Shipping Agency Bill and it took suitable notice—though not much—of the objections. It is hard to see what tests can be carried out on determining a reasonable minimum of noise, dust and oil short of building the jetty and operating it—when, of course, the company can reasonably say that noise, dust and oil are inseparable from the operation of unloading ore. Inseparable too from this particular aspect of progress?



Report on CANADA

The present boom, which is likely to continue, and a relaxation of certain restrictions which have been hampering U.K. exports make Canada an attractive market for British manufacturers.
American competition is, however, very strong and, although many of the export opportunities are likely to be in fields where the United Kingdom has been a traditional supplier, special attention should be given to marketing and to strengthening and extending sales organisations.

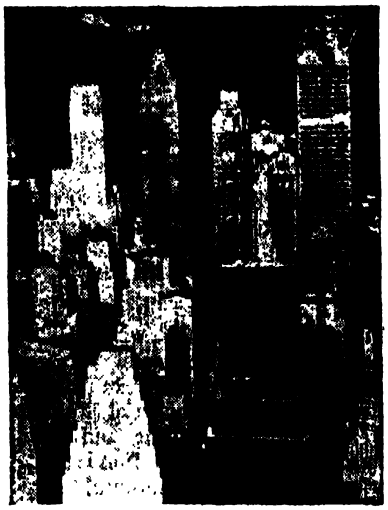
This is one point made in the report on Canada recently published by our Economic Intelligence Department. In the report, which is illustrated with coloured charts and diagrams, Canada's economy, trade, balance of payments and market prospects are surveyed.
Copies can be obtained from any of our branches. Alternatively, please get in touch with one of our specialised Foreign branches.

London: Chief Foreign Branch,
168 Fenchurch Street, EC3
West End Foreign Branch,
1 Pall Mall East, SW1

Foreign Branches also at Birmingham, Bradford, Bristol, Cardiff, Ipswich, Liverpool, Luton, Manchester, Newcastle upon Tyne, Nottingham, Reading and Southampton

BARCLAYS BANK
Money is our business - throughout the world

STATES YOUR DESTINATION



ALITALIA DAILY TO AMERICA

Date in the States? Then listen to Alitalia's West Side Story. Alitalia fly **daily** from London to New York—at 13.35 on the dot. With Super DC-8 jets, of course. And fabulous, fabulous service. Magnificent. But there's more. Alitalia open the door to every major city in the U.S.A.—arrange connecting flights from New York all over America. Efficiently. Without fuss. Just pass the buck to us. All you have to do is see your Travel Agent. He'll sell you a ticket to ride, work with us to give you an easy, trouble-free journey.

Do you deserve a holiday? Probably. So why not extend your business trip into a Winged Arrow Holiday? All inclusive Winged Arrow Holidays cover U.S.A., Canada and Mexico. So you can see Liberty carrying her torch for you. See why the canyon is grand. View the waterworks at Niagara. Enjoy some hot dishes in Mexico. And all the fun of the fare gives you the World Fair as well. A few samples of Winged Arrow Holidays:

16 days New York £155.5.0
17 days U.S.A. and Canada £189.0.0
16 days Mexico £317.0.0

For the full story, see your Travel Agent. Or fill in the coupon now and send it to us.

To: Alitalia Airlines,
251 Regent Street, London W.1
Please send me your brochure
"Winged Arrow Holidays"
Name
Address

ALITALIA AIRLINES

THOUSANDS OF EXPERTS AT YOUR SERVICE

Your Travel Agent knows Alitalia. So if you're flying, go and see him. Or call at Alitalia's offices in London, Birmingham, Manchester, Glasgow or Dublin.

BUSINESS INTERNATIONAL

INTERNATIONAL LIQUIDITY

Playing Everything Down

That the future of the world monetary system should appear as a sufficient topic to occupy Mr James Callaghan's party and the strong administration team whom they met on Wednesday seems obvious—but to many observers in Washington it does not, partly because of the pointed refusal of the US financial authorities to admit to any sense of urgency about monetary reform until their own balance of payments position has been brought into better order.

Washington

THE communique issued after Mr Callaghan's talks with Mr Fowler (speaking, to be sure, not of "reform" but of the "reinforcement" of international liquidity) spoke of ministerial efforts to press the matter "both during and after" the International Monetary Fund and World Bank meetings in the autumn.

Before there could be action, the communique insisted, there must be an international consensus. In this connection Mr Callaghan and the British visitors gave the impression of being a shade less despondent than Mr Fowler and the Americans. It is not that M. Giscard D'Estaing in his recent talks with Mr Callaghan actually said anything encouraging himself. Officially the French position remains that the gold exchange standard is "doomed" as Mr Callaghan put it on Wednesday, while he himself maintains with the Americans that the gold exchange standard "has a substantial life in front of it." The Americans insist that the world monetary system must continue to be based on the IMF and the dollar, or, when they are drafting communiques jointly with a British visiting party, on the IMF, the dollar, and the pound sterling. But it appears that some of M. Giscard D'Estaing's officials were permitted to talk in a somewhat more flexible way than their leader. This the British see as a sign. They have yet to convince the Americans that the ground for hope is at all substantial.

Naturally the British were at pains to deny that Mr Callaghan had come to Washington to ask for money. Leaving that aside, there are ways in which the two governments can mitigate the nuisance to each other that is involved in their separate efforts to correct their balance of payments. The communique more or less admitted this, while allowing that each government was quite right to do what it was doing. The British found it painful, when president Johnson announced his balance of payments policy in February, that American firms in Britain began to remit more of their earnings home. Apparently they also see signs of a falling off in direct American investments in Britain. The Americans, for their part, do not find it precisely convenient that Britain should be "liquefying" its dollar portfolio. On these points the two sides could not go much beyond assurances of understanding, tact and delicacy, in which the communique is rich. But quite possibly these are of more use in practice than they look on paper.

America's official attitude towards international liquidity can be summarised in the phrase: there's no rush. Mr Fowler, has placed absolute priority not only on eliminating the United States balance of payment deficit, but on showing a surplus for at least a year.

This does not mean that no thought has been given to the liquidity situation. While no clear US position has emerged, a few strands of thought have become evident. The first is that the dollar must continue to be the foundation of any reformed system. Secondly, there is growing discussion of the need of the world for a rising supply of privately-held dollars as perhaps more important than the need for officially-held dollars. This implies, according to numerous analyses made outside the Government, an American payments deficit as currently defined of $500 million to $1 billion a year. At the moment, given Mr Fowler's determination to achieve a surplus, this is academic, but it may figure in the ultimate American position.

There is a desire in at least parts of the government, moreover, to see the role of gold in the world system gradually diminished. Finally, there remains the official disposition to achieve any reform chiefly through the International Monetary Fund. The United States would probably be ready now to make drawings on the fund's first credit tranche virtually automatic—thus adding about 5 billion dollars to liquidity at a blow. However, there is no American position yet on just what device the Fund should use to augment the total of global reserve assets.

TRANSPORT IN EEC

A Compromise Policy

Luxemburg

DEMONSTRATING a fine disregard for the current political crisis over the financing of the common agricultural policy, the transport ministers of the Six last week reached outline agreement on the future common transport policy of the EEC. The agreement is in illiberal contrast to the recommendation to abolish restrictive licensing of road vehicles produced by Britain's Geddes committee last week: nevertheless, within the Continental framework it is not as *dirigiste* as it might have been. The long Dutch stand against the rigid system of obligatory maximum and minimum rates for all forms of transport proposed by the European Commission to deal with the twin dangers of ruinous competition and abuse of monopoly positions has had some effect. With certain exceptions the freedom of carriers to fix their prices according to costs and the pressures of competition has been maintained. Assuming that the various implementing regulations go through in October, the first "Community quota" of road haulage licences valid for the whole of the common market area (of which Dutch carriers are due by prior agreement to receive a disproportionate share) will now come into force on January 1, 1966, as planned.

The agreement finally approved by the Ministers last week is a complicated one and involves three stages. In the first stage, which will run from 1966 to 1969, the system of published rate brackets (*tarification à fourchette*) will apply to international traffic only, leaving the member states free to apply whatever system they prefer to internal traffic (complete freedom to fix prices and conditions in Holland, rigid price-fixing by the public authorities in Germany and France).

During the second stage, which will run from 1969 to 1972, the system of published rate brackets will be extended to cover internal traffic as well as international, with the proviso that member states will be free to substitute the system of reference rate brackets for the more binding system if they want. Furthermore, the reference rate bracket system will anyway be extended to all bulk transport, whether by road, rail or water, being no longer limited to water transport alone. Finally, at the third stage, which will begin in 1972, when all social and fiscal charges (or subsidies) are due to have been equalised and a common method of imputing infrastructure costs to each mode of transport worked out, the whole system of rate brackets will be reviewed. Whether this review should lead to a

further extension of the reference rate bracket system or to the abolition of all maximum and minimum rates is not spelled out.

FRENCH ECONOMY

Gentle Reflation

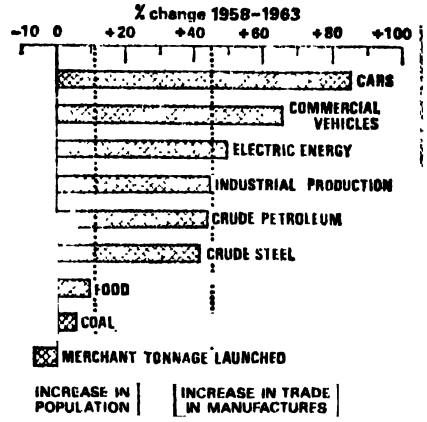
Paris

THE helmsmen of the French economy have shifted course a little. Only two months ago M. Giscard d'Estaing, France's finance minister, was stating firmly that the stabilisation plan would be kept in force, and that there would be no stimulation of the economy through consumption. The only reflation was to be through encouragement of business capital investment. But now, several official decisions have been announced to stimulate consumer demand. The Conseil National du Crédit has increased by one-eighth the size of the loans which hire purchase firms may allow to customers buying household equipment and cars. At the same time, it has extended from 21 to 24 months the repayment period for people buying cars on hire purchase. Finally, there are hints in government circles of an increase of the minimum wage (affecting some 300,000 wage-earners) and perhaps also of family allowances before autumn.

This is a clear break with the earlier doctrine that the recovery expected at the end of the year would be the result of nothing but an investment revival. The government has acted on investment by bringing forward some public capital expenditure and by increasing investment by state industries, particularly *Electricité de France*. For next year, it has also announced a rise in budgeted investment of some 10 per cent. Still, the addition of measures to stimulate consumption amounts to a change in the official line. What is the explanation?

There seem to be two reasons: First, the recovery of industrial production that was expected at the end of the second quarter has not materialised. The latest index to be published shows that, on average, production is stagnant, with some growth in the building and energy sectors offset by a decline in car manufacture and capital goods industries. Surveys of business opinion are no more optimistic than in previous months. Only foreign demand seems to be improving. It is questionable whether, in these conditions, there will be much of a recovery in the autumn, as is still hoped. The government is beginning to fear that even its revised growth target of 2.5 per cent for 1965 may be too optimistic.

WORLD PRODUCTION: FIVE YEARS' GROWTH



These comparisons are taken from the United Nations Statistical Yearbook 1964 (*but with a revised population estimate*).

FRENCH HOUSING

Cost of a Freeze

Paris

TWENTY years after the end of the second world war, the housing crisis continues unabated in France. It may even be getting worse. The Minister for Building, M. Jacques Maziol, has just announced that the building target has been raised to 500,000 homes a year by 1970, at the end of the Fifth Plan, compared with the original target of 470,000. But the French, who got fewer than 400,000 new homes last year, still look grumblingly at the Germans, where a total of 623,100 were completed during 1964 for an only slightly larger population.

Parisian "snake-coil" flats

The root of the trouble is an ill-conceived system of state aid, and also rent control, which produces extraordinary discrepancies and injustice. A young family in Paris usually has to pay between £10 and £14 a week for a 3-room flat, comfortable but not luxurious, which is obviously an enormous burden for a young man only just beginning to earn his living. Meanwhile, his father may well be paying only £3 or £4 a week for a larger flat in an old house.

The scarcity affects mostly those who are least well-off: young households, large families, peasants or foreigners coming to work in the towns, or anyone obliged to change his place of residence. If a young Parisian family tries to buy a three-room flat instead, it will be asked prices ranging from £7,500 to £9,500. The crisis is at its worst in Paris, but many provincial towns, particularly Lyons and Marseilles, have already reached the capital's price level.

The source of the trouble dates back about forty years, and is the freezing of rents. Between 1901 and 1911, the annual rate of building reached 200,000 dwellings. That was the golden age. Demand for dwellings increased only slightly and saving to finance building was plentiful. Between 1919 and 1939, only 2 million dwellings were built, a rate of 100,000 dwellings a year. This spectacular drop was caused by rent control, whose effects were worsened each year by inflation.

From 1948 onwards, the government decided that old dwellings and new dwellings should belong to two different systems. The main result of this differentiation was to create a privileged position for all tenants of old dwellings, whose rent was (and has remained) on the average only about a third of that of new dwellings. Of the 14.5 million main dwellings in the 1962 French census, approximately 6 million were owned and 8.5 million rented. In this last figure, the number of tenants of old dwellings amounted to approximately 6 million. At present, therefore, more than one Frenchman in three is a privileged person paying an artificially low rent. A gradual raising of old rents was undertaken quite recently, but still only timidly.

Nine out of ten dwellings built in France are state-aided in some way. Thus, in 1963, out of 335,000 dwellings finished, 100,000 were habitations *à loyer modéré* (rent controlled dwellings) and 190,000 were dwellings benefiting from subsidies and loans.

With a large group of people born just after the war now coming of age, the crisis may well get worse before it gets better. It is not helped by the scarcity of financial facilities. For instance, it is impossible to get a mortgage for over 20 years from any institution except the state-controlled Caisse des Dépôts and Crédit Foncier. However, last year saw a sudden increase in private saving for housebuilding, and the government experts believe that with the rapid increase in the standard of living a large new group of Frenchmen has broken into the level of affluence where families decide to pay for their own roof. In de Gaulle's France, people are now spending over a fifth of their income on their homes. Food, their ancient preoccupation, now gets no more than a third of the family budget.

Secondly, the government wants the presidential election in the autumn to give General de Gaulle as big a victory as possible. This means getting industry out of its present lethargy, reducing unemployment, and increasing the purchasing power of the masses. This is certainly worth some sacrifices on the altar of the great principles of monetary and financial stability. Mr Pompidou had already been saying so for several months.

MANNESMANN SCANDAL

Who Will Pay?

Rio de Janeiro/Dusseldorf

THE Mannesmann concern has fallen willy nilly into the midst of a reverberating Brazilian financial scandal. Two directors of its 12-year-old Brazilian subsidiary, the Companhia Siderurgica Mannesmann in Belo Horizonte, apparently issued an enormous number of bills of exchange, in the firm's name, and placed them in the unofficial Brazilian "parallel money market." The action was unauthorised, the purposes of the borrowing highly dubious and the soundness of the parallel market itself equally suspect. One of the directors, Sr. José Machado Freire, had already left the subsidiary at the time the bills were issued—the implication is that his signature was forged. The other director, Sr. Jorge Serpa, left later and since the scandal broke has successfully gone to earth. The company has been left a pretty mess. So far bills to a value of Cruzeiros 50 million (£10,000) have been presented for payment. How many more are to come is anyone's guess—the guesses start at Cruzeiros 27 billion (£5 million). The Companhia Siderurgica has closed its doors and the whole affair is now in the courts.

The parent company has so far shown no readiness to assume responsibility for the bills. The German head office indeed argues that the Companhia Siderurgica is not legally obliged to redeem the bills, even assuming that no outright forgery was involved. Since one of the directors had already left the company at the time that the bills were issued he was in no position to assume obligations on its behalf. But the company may in the end voluntarily assume some responsibility. Mannesmann has loudly dissociated itself from the parallel money market, an institution roundly and repeatedly condemned by the Brazilian central bank and now the target of proposed legislative curbs. But the Mannesmann subsidiary was reputed to be one of the biggest operators of all on the parallel market, and continued to use it after most other large concerns had responded to government warnings to stop.

EURATOM

Last Report?

EURATOM'S eighth annual report—and perhaps its last as an independent agency for the Six—is full of bromides intended to sedate the furious disagreements within the organisation and this is much as one would expect. But it also raises two important heads for discussion that go well beyond how much Euratom should spend during the next five years ($430 millions) and on what. One concerns who should build Europe's nuclear power stations. At present, and Euratom is almost blunt on this: French industry builds nuclear power stations to French designs in France and German industry builds them—to American design—in Germany and Italian industry builds them—to British and American designs—in Italy. Not one of the Six is able to mount the sort of design and sales effort that the American companies or the British consortiums are capable of doing. While they compete with each other, Britain (sometimes) and America (more often) walk off with the orders.

The second head for discussion concerns atomic fuel; this has to be prepared and it also has to be disposed of after use, radioactive and deadly to handle. Euratom says that the community should have its own facilities and should be ready, after 1970, to enrich its own uranium instead of relying on American supplies. This may not look much of a recommendation but it is dynamite. France, for one, has a fuel processing industry and uranium enrichment plant (or will have, if it ever gets finished and paid for). But its plants are military. Meanwhile the British Atomic Energy Authority has also been doing its best to tie up one European country after another with contracts to process, re-process, dispose of and even enrich their atomic fuels in British (also military) plants. And the American Atomic Energy Commission is also after this work, even if it has not gone so far as the British and chartered a special ship to transport the radio-active fuels back to its plants.

The Euratom suggestions, made poker-faced, must have been drafted in the awareness of not only the British sales drive, but also in the knowledge that the British atomic power programme, now firmly committed to enriched fuels in advanced gas-cooled reactors, will also require new enrichment plant. Enrichment plants are very sensitive to economies of scale; where is the plant and/or plants that will supply Britain's and Europe's needs going to be built? And by whom? There will be a big prize for the correct answer.

SUGAR

Down and Down

DURING the past week sugar continued to touch new lows, dipping to £19 5s. a ton. The immediate depressing influence was the rumour that Brazil was to re-enter the market with 100,000 metric tons. This has been strenuously denied by the Brazilian authorities, who claim that, with the entire 1964/65 crop quota sold—and due to be shipped by August at the latest—and 270,000 tons of the 1965/66 crop already sold, they will stay off the market at present.

The basic problem is demoralisingly simple—over-supply. World production in 1964/65—despite South African drought and Dominican upheavels—is nearly 10 million metric tons above the previous year, at 64 million tons.

Consumption grows much more slowly. The estimated increase last year was only 3 million tons, leaving 7 million to be added to world stocks, and the present low world prices will not have much effect in increasing consumption.

The Brazilians insist that they will refuse to sell while present prices prevail, and plans to expand production next year, there and elsewhere, are likely to undergo drastic reappraisal. In the autumn a United Nations conference meets to attempt a new and effective International Sugar Agreement. A mechanism to rationalise the market is obviously needed.

OIL AND ITS HOSTS

Not Quite Fifty-Fifty

SHORTLY after deciding to move its headquarters from Geneva to Vienna because the Swiss government would not give it the privileges regarding tax and employment of foreign nationals that other international organisations enjoy, the Organisation of Petroleum Exporting Countries has achieved its first recognition from the United Nations. The Economic and Social Council has agreed that OPEC may be represented at meetings of UN organisations dealing with "matters of mutual interest."

For Ecosoc, this seems sensible enough: OPEC is an organisation of growing expertise upon the economic affairs of international oil, and one of the few competent alternatives to private oil companies as a source of information. For Vienna, which is shorter of well-paid foreigners than Geneva, giving OPEC immunity from taxes and any restrictions upon employment of foreign nationals may make sense too. But for Switzerland and the canton of Geneva, the argument for giving these privileges to OPEC was always a debatable one. OPEC is in no sense an open international organisation; its membership is confined to governments of countries exporting oil; other countries—including Switzerland—are not given any opportunity to join or to attend its conferences. It operates, moreover, as a sectional trade association or trade union devoted to the cause of increasing not only its member governments' income from oil but the price that importing countries like Switzerland—and Austria—have to pay for this. The host government of this organisation of host governments may or may not wish OPEC well in these endeavours; and they probably realise that wanting these privileges was a matter of pride for OPEC, not of money. But there is no deep obligation to make it cost OPEC less to push the price of oil up. Were its member govern-

This notice is under no circumstances to be construed as an offering of these securities for sale or as a solicitation of offers to buy any of these securities, but appears solely for purposes of information.

6,000,000 Shares

Ford Motor Company

Common Stock

($2.50 Par Value)

The Shares are to be sold to the several underwriters, including the undersigned, by The Ford Foundation, and no part of the proceeds will be received by Ford Motor Company.

Price $52¼ per share

The First Boston Corporation — Morgan Grenfell & Co. Limited — Lazard Brothers & Co., Limited — Deutsche Bank Aktiengesellschaft — Lazard Frères & Cie.

Blyth & Co., Inc. — Goldman, Sachs & Co. — Kidder, Peabody & Co. Incorporated — Kuhn, Loeb & Co. Incorporated — Lazard Frères & Co.

Lehman Brothers — Merrill Lynch, Pierce, Fenner & Smith Incorporated — White, Weld & Co. — Dean Witter & Co.

Algemene Bank Nederland N.V. — Amsterdam-Rotterdam Bank N.V. — Badische Bank — Banca Commerciale Italiana

Banca Nazionale del Lavoro — Banco di Roma — Banque de Bruxelles S.A. — Banque de la Compagnie Financière de Suez S.A.

Banque de l'Indochine — Banque Lambert S.C.S. — Banque Nationale pour le Commerce et l'Industrie

Banque de Paris et des Pays-Bas — Banque de la Société Générale de Belgique S.A. — Banque de l'Union Parisienne

Baring Brothers & Co., Limited — Bayerische Hypotheken-und Wechsel-Bank — Bayerische Staatsbank — Bayerische Vereinsbank

Berliner Handels-Gesellschaft — Brinckmann, Wirtz & Co. — Commerzbank Aktiengesellschaft — Comptoir National d'Escompte de Paris

Crédit Industriel et Commercial — Crédit Lyonnais S.A. — Creditanstalt Bankverein — Credito Italiano — Den Danske Landmandsbank Aktieselskab

Dresdner Bank Aktiengesellschaft — Frankfurter Bank — Hambros Bank Limited — J. D. Herstatt K.G.a.A. — Hill, Samuel & Co., Limited — Hope & Co.

Kjøbenhavns Handelsbank — Kleinwort, Benson Limited — Kredietbank N.V. — Mediobanca-Banca di Credito Finanziario

R. Mees & Zoonen — Samuel Montagu & Co. Limited — de Neuflize, Schlumberger & Cie. — Sal. Oppenheim Jr. & Cie.

Pierson, Heldring & Pierson — Privatbanken I Kjøbenhavn Aktieselskab — de Rothschild Frères — Friedrich Simon K.G.a.A.

Skandinaviska Banken — Société Belge de Banque, S.A. — Société Générale — Société Internationale Mobilière et Industrielle

Stockholms Enskilda Bank — C. G. Trinkaus — L'Union Des Mines - La Henin

Vereinsbank in Hamburg — S. G. Warburg & Co. — Westfalenbank A.G.

In conformity with the requirements of the Council of The Stock Exchange, London, 200,000 units (each unit representing 1/20th of a Share of Common Stock) in the form of Bearer Depositary Receipts have been made available for purchase in the market, free of stamp duty and expenses.

Full particulars are available in the Exchange Telegraph and Moodies Statistical Services and copies of a Prospectus issued in the United States of America under the Securities Act of 1933, will, in the United Kingdom, be obtainable from

Morgan Grenfell & Co. Limited,
23 Great Winchester Street, London, E.C.2.

Lazard Brothers & Co., Limited,
11 Old Broad Street, London, E.C.2.

Rowe & Pitman,
Bucklersbury House, 11 Walbrook, London, E.C.4.

Cazenove & Co.,
12 Tokenhouse Yard, London, E.C.2.

Stewarts and Lloyds announce a new range of sizes for their Structural Hollow Sections. The new sizes are in unit dimensions, advancing in regular increments throughout the range. There are more thicknesses available, too.

The new S.H.S. sizes match conventional steelwork and standard timber dimensions. Doors, windows, fittings will all tie up much more easily with S.H.S. in unit dimensions.

These new S.H.S. sizes have been produced as a result of increasing demand on the part of architects and engineers.

Full details of the range can be obtained from-

Stewarts and Lloyds Limited,
Lloyd House, Colmore Circus,
Birmingham, 4

New shapes in steel from Stewarts and Lloyds

ments thinking of forgoing any of *their* income tax on the oil that Switzerland or Austria buy?

SPAIN

Highway Goad

ONLY eleven years ago, Mr V. S. Pritchett was contemplating Barcelona's vast avenues and writing (in The Spanish Temper): "The city has been built for a motor age that has not seriously arrived in Spain." Today Barcelona possesses about 300,000 vehicles—one for every five or six inhabitants—and there are days in the summer when 100,000 foreign cars flow through its streets. Even so, it is still easier and more pleasant to drive through than most British cities half its size. The same is true of Madrid, Saragossa, Pamplena, Valencia and other Spanish cities. The snag is getting from one city to the next.

Spain's inter-urban and rural roads are shatteringly inadequate. The country has only 30 kilometres of road per 100 square kilometres of territory, compared with Italy's 70 kms, Britain's 72 kms, and Germany's 103 kms. More than half of even this sparse network was officially admitted four years ago to be in an unsatisfactory condition—the 8 per cent which carries 58 per cent of all traffic was in a particularly bad state. This was mainly due to lack of planning.

Expenditure on the roads in the 1950s was little more than during the mid-1920s. But ten times as many new cars were being registered by Spaniards and the tourist industry was mushrooming. At the same time, the antiquated railways were losing freight to the roads: in 1948, 12 per cent of freight travelled by road, 37 per cent by rail and 51 per cent by coastal shipping; by 1963, 31 per cent went by road, 23 per cent by rail and 46 per cent by ship.

In 1962 the government launched a far-sighted highway modernisation plan. For four years priority was given to repairing 10,000 kms of trunk roads and building 204 kms of motorway, mostly along the east coast. Eight to ten years of major works were planned to follow—to extend the motorway network another 2,600 kms, provide hundreds of bypasses, widen and improve many existing roads, and eliminate 370 railway crossings. Rising receipts from fuel taxes—there are five times more service stations in Spain today than five years ago—should more than cover the 180,000 million pesetas required to finance the plan and a pump-priming loan has been obtained from the International Bank for the east-coast motorway.

Progress is being made in improving the roads which connect Madrid and the main tourist centres with the French frontier. Elsewhere, however, construction seems to be behind schedule. Some Spaniards suggest that better highways might be built if the authorities paid more attention to contractors' technical qualifications and less to their political and ecclesiastical contacts.

TRANSPORT AND COMMUNICATIONS

Britain's Show-Stealer

Munich

BRITAIN'S contribution to the "First World Exhibition of Transport and Communications" is good, but disappointingly small. The exhibition opened at Munich on June 25th and is due to close on October 3rd. In the course of 101 summer days, roughly four million persons, among them many engineers, are expected to see what 36 different countries pride themselves particularly on doing to improve communications by land, sea and air. The show is being used as an occasion both for showing the flag and for promoting business, especially exports. Even China has set up a modest pavilion, all gilt, smiles and handbills; and the Roman Catholic church is there too, proclaiming the responsibilities of "the Christian on the Road."

British-designed Hovercraft (through misspelling, the credit goes in one German newspaper to Hoover) are generally acknowledged to be the only really new means of transport on view. Under the aegis of British Petroleum, various models are whirring to and fro on a stand in Hall 7. Wall pictures tell of an impending Hovercraft service between Cuxhaven and Heligoland—at present an often unpleasantly rough passage, from which thousands of holidaymakers pray quickly to be released. In Hall 19—iron and steel in transport (sponsored by the High Authority of the European Coal and Steel Community)—the Guest Keen and Nettlefolds Group are showing some of their finished and semi-finished equipment for road, rail and air transport. And in Hall 20 the eight British firms concerned in building the new Victoria underground line illustrate their expertise in providing one solution to the problem of thickening urban traffic. This is of special immediate interest to Munich, where plans are slowly maturing for an underground railway system.

But elsewhere, Britain is almost wholly unrepresented, and the British visitor is disturbingly reminded of the price that may have to be paid for aloofness from Europe.

SWISS BANKING

The Government Acts

Geneva

THE Geneva public prosecutor has now decided to hold an inquiry into alleged swindling and dishonest dealing by the Spanish financier, Señor Julio Muñoz Ramonet, and Mr Hermann Hug, former director of the Banque Suisse d'Epargne et de Crédit à St Gall. The two men deny the allegations. The Federal Finance Minister, M. Bonvin, has also instructed the Swiss federal prosecutor to open an inquiry into the activities of Mr Max Hommel, who has been dismissed from the post of chairman of the Federal Banking Commission, which he held since 1955.

The inquiries arise out of the requests of two associated Swiss Banks, the Banque Suisse d'Epargne et de Crédit à St. Gall and the Banque Genevoise de Commerce et de Crédit, for permission to suspend payments for a year. The banks said they had got into an illiquid position as a result of their lending to Señor Muñoz, who was heavily engaged in property development in several European countries. This also led to difficulties for an Italian bank in which Señor Muñoz had an interest, the Credito Commerciale e Industriale of Rome, and for a holding company set up by Señor Muñoz in Luxemburg. The Swiss Bank Corporation has now taken over the liabilities of the Banque Suisse d'Epargne et de Crédit à St. Gall, but without buying an interest in the bank. It has refused to take on the liabilities of the other bank.

The St. Gall bank will probably resume normal operations as a result of this move. The Geneva bank has paid out a maximum of 500 Swiss francs (about £41) to customers with savings and current accounts. Discussions with the Swiss Bank Corporation are not yet over, but there is still a possibility that another group may take on the Geneva bank, or that it will go into liquidation.

Mr Hommel has been dismissed on the grounds that he had allegedly concealed business connections with Señor Muñoz which were improper for him in his position as chairman of the banking commission.

The affair has shaken Swiss opinion and caused widespread concern for the reputation of Swiss banking, which is distinguished for the extreme freedom from official control and supervision that it has long enjoyed. The finance minister has announced that the

KEY INDICATORS

WORLD COMMODITY PRICES

Prices for **base metals** remain weak. Uncertainties about the world economy and seasonal factors are offsetting the bull influence of labour and political troubles in supplier areas. **Coffee** prices have survived the new American estimates of a record crop next year, thanks to the quota system, and September futures have moved up from 215s. 6d. to 223s. 6d. Japanese interest at Australian **wool** auctions has helped to strengthen prices there, resulting in a penny per lb increase on the Bradford market.

The all-item indicator **ROSE** 0.3 this week (to June 30th).

	Index 1958 = 100		Percentage change from*	
	June 23	June 30	One month ago	Twelve months ago
ALL ITEMS	103·5	103·8	−1·6	−2·6
Food	98 5	99·2	+0·6	−9·4
Fibres	98·3	98 3	−0·2	−5 4
Metals	204·7	203·5	−9 8	+32 2

The Economist Commodity Price Indicator includes nineteen commodities weighted according to their relative shares of world trade in 1958.

** Changes relate to this week's figures, but these, except for the metal group, are provisional because quotations for tea and wool are not yet available beyond last week.*

government is now considering whether it should revise the federal banking law.

OIL IN SWITZERLAND

Regulating Supplies

Basel

SWITZERLAND'S first refinery is closing its first full business year with an operating loss of Sw. Fr. 9.1 million. Counting in only the bare minimum of provisions for amortisation, doubles this to Sw. Fr. 17.6 million. On the balance sheet, the company's borrowings already equal its own resources (share capital Sw. Fr. 100 million, reserves nil); and it has little cash. This Raffineries du Rhône in Collombey in West Switzerland, was set up as an independent refinery by the finance company Italo-Suisse of Geneva, in co-operation with the state-owned Italian ENI (Ente Nazionale Idrocarburi). Crude oil for the plant comes up a Genoa-Collombey pipeline; but the refinery is finding the greatest difficulties in selling its finished products. As an independent refinery, it has no market. In spite of total Swiss imports of about 7 million tons, Raffineries du Rhône was able to sell only 770,000 tons of petroleum products in 1964. Two-thirds of its 2-million-ton capacity could not be utilised. But the sales prospects were not the whole cause. Selling prices for petroleum products have hit a new low point. Within only a few years, they have dropped by approximately 50 per cent.

Prices for some oil products have collapsed in other European countries too. But in Switzerland the international petroleum companies have understandably fought their hardest to maintain their shares of the market and make the going difficult for unwelcome newcomers. Raffineries du Rhône is not sitting down under this. At its annual general meeting along with hard words about the "dark powers of oil," the board of directors had a few words of optimism. Prices, they said, are again showing a rising tendency; and the first Swiss thermal power station, which will get its fuel from the Raffineries du Rhône is due to go into operation in Autumn.

Looking ahead, the refinery company's main hope of an improvement in prices undoubtedly rests on the new concept of Swiss energy policy, as recently developed by the government. According to this policy, no more than 70 per cent of Swiss petroleum requirements should be covered from Swiss refineries. The other 30 per cent should continue to be imported, in order to keep in operation the traditional carriers, shipping and the railways. Pipelines, rail and shipping are all needed, on this view, to ensure maximum security of supplies. The only legal means of enforcing this available to the government is the pipeline law, on the basis of which, the licensing of pipelines, and therefore, *de facto*, also of refineries can be refused "in the national interest." A Shell refinery is already under construction; if the two other refineries also planned are brought into being, then towards the end of the sixties Switzerland's entire supplies could be refined domestically. The government has therefore asked the oil companies to agree voluntarily to the 70:30 formula; otherwise it will grant further pipeline licences only according to this ratio.

The "Mittelland" syndicate refinery, in which all petroleum companies except Shell have investments, was hit first by this. However, if the building of refineries is rendered more difficult or delayed, a refinery already in existence is made more valuable. Raffineries du Rhône is naturally banking on this. The international petroleum companies, equally naturally, are protesting most vehemently against this new regulation of Switzerland's hitherto wildly free petroleum market.

SHORTER NOTE

Last week's issue incorrectly reported the size of the French tranche of the Ente Nazionale per l'Energia Elettrica international loan as 100 million Fr. francs instead of 125 million. The total of the loan is thus equal to $220 million and not $215 million as reported.

BUSINESS □ INVESTMENT

STOCK MARKET

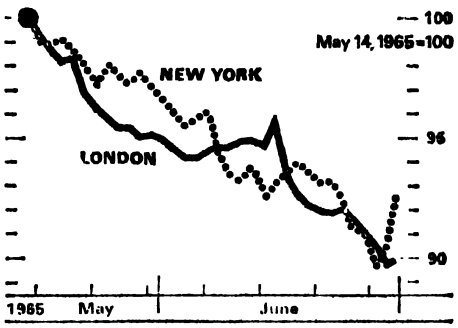
What Sort of Yield for Equities?

LONDON did not rally with Wall Street on Wednesday and Thursday. But then, although both markets had (as the chart shows) declined roughly in parallel over the last six weeks, the falls were only vaguely connected. Wall Street may be out of its tailspin: London's decline has been steadier and more ominous. By Thursday *The Economist*/Extel Indicator was down to 362, a two-year low. But there has been no big selling, just an absence of buyers. These would not be tempted even by superlative company news from a market favourite: if a near 50% rise in profits from the General Electric Company, with better to come next year merely sends the price marginally down (from 40s 3d before the results to 39s on Thursday) then you have a clearly unhappy market.

Turnover has been so low that one jobber has closed his book in the insurance section of the market, one not generally thought of as over-jobbed. Other jobbers are forming joint books in smaller companies. And one jobbing firm dissolved its partnership this week. Not that the outlook for shares is as bad as jobbers think it is for turnover. When the indicator was last at this level the dividend yield was 4¾%: now it is 5.9%, the same as at the depth of previous troubles in June 1962. Neither of these yields compares with the 7% available for a time in February 1958—but a year later the yield was down by 2%; but this was in another era when the cult of the equity was young and mercurial.

The differences this time are that yields on first class industrial debentures are at an historic high of over 7%—and that the impact of corporation tax on the insurance companies makes even these yields unattractive. Allowing for the difference between unfranked and franked income makes a safe 5.6% on an equity worth over 8% on a debenture. With average yields so high, and cover (on the *FT* Actuaries index) at near 1.8, the chances of many first class companies having to cut their dividends even under 40% Corporation tax seems remote. So at a certain point, and in certain shares, there will be institutional bargain-hunters, looking not for the classic equity formula of growth, but for what they normally seek in fixed-interest stocks, un-

PARALLEL DECLINES



impeachable cover and a decent income. The level of entry is not yet determined; certainly there is no sign of it at the moment: both in 1962 and 1963 those who "sold in May and went away" did as well as they would have done this year. Then in both years they came back as buyers in

the middle of August. They could again this year, with any encouragement from the Government—or the foreign exchange markets. But not without, and in any case the decline is likely to continue for some time yet.

WALL STREET

Psychosomatic Trading

New York

THE stock market's abandonment of rationality became almost complete last week, as blindly emotional alterations of selling and buying sent Wall Street for three days through some of the most dizzying price swings in its history. On Monday day-long selling, for which no one could find any very specific reason, dropped the Dow Jones industrial average 13.77 points in heavy New York Stock Exchange volume of over 7 million shares. On Tuesday came a performance the like of which no one could readily recall: the market opened with a sharp price rebound that at one point in the morning put the average up 9.32 points. Prices then turned right around, lost all their gains, and, by early afternoon, the average was down 5.05 points on heavy selling. Then the market reversed itself a second time the same day, and still more violently: prices rallied to give the average a closing gain of 10.81 points: the volume of business on this wild day came to 10,450,000 shares, the heaviest in three years. On Wednesday, things quietened down a bit, with volume dropping to 6,930,000 shares, but prices staged a still bigger gain: the industrial average closed at 868.03, up 16.63 points on the day. The net effect of all this, however, is in one way miniscule: Wednesday's close was only 2.19 away from the week-earlier close of 870.22.

Such trading obviously defies not only prediction but explanation: even "The Street's" most skilled rationalisers—and some are quite highly skilled—are having difficulty finding reasons for it. The simplest theory, and the one advanced by the greatest number of brokers, is that all those frightened enough by the prospect of a levelling-out of the domestic economy or a big war in Vietnam to want to sell immediately got out in successive waves on Monday and Tuesday, and that their selling drove prices down enough finally to bring in the long-awaited bargain-hunting buyers in successive waves on Tuesday and Wednesday—but that these groups didn't quite time their transactions well enough to make the selloff-followed-by-rally pattern neat. Many analysts conclude that the long and puzzling selling drive that began six weeks ago, and at one point on Tuesday had carried the Dow Jones industrials down over 100 points from their May 14 closing high of 939.62, has worn itself out and the stage has been set for a rally that will at least last more than a few days. This sounds plausible, and it may be correct—but brokers were saying the same thing, with suitable variations for the less frenzied pace of trading, a week or so ago, and another sharp market drop followed.

Significantly, too, many Wall Streeters have about given up trying to relate the market to the state of the economy or even to the Vietnamese outlook. "The Street" is filled instead, besides confusion, with talk of "selling climaxes," "near-term resistance levels," "Dow Theory primary bear market signals" and similar esoterica, which seek to explain the market in terms of itself and thus can often be translated as "share prices are going up because they are no longer going down," or something similar. The primary forces are clear enough. The economy is extremely high but equally unlikely, in investors' opinions, to rise much further or to drop into recession this year. The Vietnamese conflict is getting steadily bigger, but not yet exploding into Korean-sized war. It is understandable that all this creates much confusion as to what value to place on corporate shares. But that it should create the enthusiasm-to-gloom-to-wild-exuberance double-reverse that took place within a few hours on Tuesday probably passes the understanding of anyone but a psychiatrist.

ASSOCIATED FIRE ALARMS

How Far Are the Mighty Fallen?

A YEAR ago Associated Fire Alarms shares were worth 20s. Three months ago they were 10s. Now, unquoted and weighted with debts, they are virtually worthless. The stock exchange suspended the quotation on Monday at the company's request; simultaneously the merchant bank Hill, Samuel, AFA's financial advisors, asked for a Board of Trade enquiry, two days after the Association of Women Shareholders had done the same. The accounts for the year to December 31, 1964, were promised for the end of June and expected on Wednesday: on Thursday evening a statement was sent to shareholders showing unaudited figures for 1964 (the auditors will again make a qualified statement) and a balance sheet at May 31, 1965.

The main trouble is a shortage of cash, not of business. Net overdrafts at December 31st were over £2 million, and these were reduced to only £1.9 million at the end of May after the sale of a subsidiary for £484,000. The cause of the cash starvation seems to have been an arithmetic error in computing rental income and underprovision for expenses. These mistakes led to the overestimate in the forecast results for 1964. But turnover was up 23% for the year, so there is obviously hope for setting the company on its feet again. AFA's bankers, Westminster and Barclays, have instructed a consultant to investigate, with AFA's consent, and Hill, Samuel, the company's financial advisors, have advised it to have its own investigation carried out by independent accountants.

Quite apart from arithmetical errors there are a number of factors that may have caused the sudden turn round in its fortunes. The company seems at best to have had an inadequate costing system; and may well have pitched its prices too low for its relatively complicated products in a competitive market.

It may also have been caught out by its own sophistication. The attractive feature of renting equipment, which gave AFA a fifth of the trading profits, is the relatively large cash flow generated in the first year of renting, because of tax savings from investment and depreciation allowances amounting to perhaps 20% of the cost in one year. AFA costed rented equipment at fourteen times the yearly rental income, and depreciated it over ten years. For the first ten years of its life depreciation would exceed rental income; in the last four years, of course, there would be no depreciation charge. Whatever the long-term advantages of this renting system, it is a matter of painful fact that production costs have to be met quickly. AFA may well have relied on the cash provided by sales to support the production costs of its rental side. It would thus be vulnerable not only to rising costs but also to a proportional shift from selling to renting. As cash generally was getting tight in the second half of 1964, one would

MOVEMENTS ON THE WORLD BOURSES

LONDON
Continues to drift to a series of lows for the year.

NEW YORK
Rallying after a hectic week's trading.

FRANCE
End of a boomlet.

	INDICES *		Percentage change from:		
	June 23 †	June 30 †	A week ago	A month ago	A year ago
London	371·8	362·2	−2·6	−6·1	−11·1
New York	870·2	868·0	−0·3	−4·5	+ 4·4
France	90·7	90·0	−0·8	−3·9	− 0·9
Germany	92·4	90·8	−1·7	−6·2	−12·0
Holland	321·9	325·1	+1·0	−5·3	− 5·0
Italy	54·7	53·0	−3·1	−5·5	− 3·6
Belgium	126·7	125·4	−1·0	−4·0	− 1·4
Sweden	252·3	249·8	−1·0	−1·0	+15·6

* For Bases and Stock Prices and yields see pages 89 and 90.
† London, June 24th and July 1st.

expect such a shift. In other words customers could have been moving their own shortage of cash on to AFA.

REED PAPER

Still Packaging

THERE has been too much excitement in the past year over Reed Paper's successful battle for the control of Wall Paper Manufacturers—and then the bid for Polycell, with the consequent issue of 16 million Ordinary shares and the payment of nearly £17 million in cash for the two companies. So it was forgotten that Reed was basically a packaging and wrapping paper group (42% of turnover) with substantial interests in newsprint (13%) and printing and writing paper (15%) and that all these sides were due to have good years. So they did: group sales were up by nearly a half at £149 million; profits after depreciation (up by £900,000 at £5.5 million) and taxation (up by nearly £4 million at £13.3 million) are £2½ million higher at nearly £7 million, and the dividend is raised from 16% to a total of 17%.

Despite a switch to four-shift working, which gives 10% more output for very little addition to the wage bill, the next year is unlikely to produce any dramatic advances in the "old" Reed interests in this country, although the long-term prospects are clearly very bright. And there is the problem of overseas sales. Canada provided one-sixth of the total sales and the operations there show a pre-tax rate of profit of 18%. So Reed could be twice hurt: by expansion in Canada rather than in this country, it will increase its liability to overseas tax over the next couple of years at a time when this becomes more expensive.

But there are a number of "new" interests. Clearly the Polycell management is to be let loose on the previously unprofitable WPM shops: and WPM's range of products is being swiftly rationalised. And there are a number of skeletons still left in the managerial cupboard. The Italian interests are (if only for this year) unprofitable enough for £310,000 to have to be provided against likely losses. Green Plastic Packaging—seemingly a sensible buy, with plastics providing increasing competition to other packaging materials—does not yet make the same profit that it did on acquisition three years ago, although Polycell will provide a useful outlet for the increased production planned. Reed's shares have recovered 4s 6d to 51s 9d from the low they reached during the WPM battle and thus disproved the rumour that "everyone had too many Reed shares," but they still give a generous 6.4%, with a cover of 1.8. They thus discount the overseas tax problem and possible stagnation in the British economy The recent £10 million Debenture issue—at 7¼% over 26 years—may be expensive but it reducets the net indebtedness previously £15 million—to a more manageable level. Allowing for this, the shares seem very much ex the WPM and Polycell acquisitions.

STOCK EXCHANGE CHAIRMAN

Regulator—or Spokesman?

AFTER Mr Martin Wilkinson had been elected as successor to Lord Ritchie as chairman of the London Stock Exchange, one of the first things he did was to see the financial press. The assembled journalists trotted out their favourite nostrums for the market's troubles: admission of women members, freedom to publish names of stockbrokers who provide information, outside capital for jobbers, and the troubles facing smaller brokers during a prolonged period of low turnover all made their expected appearance. Mr Wilkinson made the expected noises, sympathetic (to outside capital), non-committal or dampening to most of the rest. But his main thoughts clearly lie elsewhere.

The new chairman—and other reformers in the City—are trying to reorganise the country's stock markets without any governmental interference. This is a race against time: but recent progress has been impressive. Stock exchange federation—with attendant increases in compensation funds and brokers' capital requirements—is already here; so is the tightening of provisions for quotation by ensuring that the same rules apply in all the exchanges—previously London's rules were stricter than some provincial ones: from this week the London level is to be the compulsory norm. Companies are already required to provide more information, and the new chairman gives the impression that even the banks are under pressure to say something real about their financial position. In the long run, stockbroking is to become a profession: the first examinations should be here in about eighteen months, although so far only correspondence colleges and the like seem to have approached the Council with offers of academic guidance.

The energy with which these reforms are being pursued does great credit to a largely-unpaid and part-time body of men. But they have a great weakness: they do not possess any direct link with the central government. The Exchange has missed a number of opportunities since the Budget to seize a position as spokesman for a united financial community. So journalists—and consequently the public—have been acutely aware of the fragmentary nature, and political bias, of some of the protests against the Finance Bill. A series of joint, technical, statements issued by the Council, and, say, the Association of Investment Trusts, or the gilt-edged jobbers and brokers, would have been far more impressive; the sixteen companies with sizeable overseas interests who joined together to protest had far more success with the government than they would have had as individuals. The Bank of England and the government broker are supposed to act as link men between the City and the government. They have clearly been inadequate for the task in the last few months. If the City is not to be confronted with a Securities and Exchange Commission or the like, the Stock Exchange Council will have to fill the breach.

METAL BOX

Time for Adjustment

THE main impetus to Metal Box's growth comes from overseas. Since 1960 overseas sales have nearly doubled and now account for just under a third of the total of £128 million; home sales have risen by only two-fifths. And trading margins overseas, at nearly 11% after depreciation, are nearly two points higher than margins at home. Metal Box, then, could be severely hit by the new tax regulations: the chairman, Lord Kings Norton of Norton Underwood, formerly Sir Harold Roxbee Cox, estimates that if a 40% corporation tax had applied to the company during the year to March 31st the tax charge of £3½ million would have been increased by £1 million. As it is, a higher tax charge under the old system reduces the 22% rise in pretax profits to 18% after tax, £6½ million against £5½ million. The dividend payment is raised by a tenth.

The main investment question about the company is how it will adapt to the new regulations. Despite its investment overseas Metal Box has apparently earned more foreign exchange than it has spent: the net asset value of Metal Box Overseas and its subsidiaries is £24 million, yet since 1950 the group has brought in £50 million directly in foreign exchange and tinplate exports to its overseas factories have added a further £70 million. But there will be a strong incentive not to remit money home and to plough it back overseas, where returns are higher anyway. Metal Box could raise long term loan capital abroad, so that the effects of higher taxation are compensated by the consequent gearing. Metal Box admittedly operates in areas where capital is difficult to raise, even if it is available, but Rio Tinto, for instance, has successfully raised money in Germany for use elsewhere.

From an investment point of view Metal Box shares are attractive: at 51s. the yield is 4.9%, over twice-covered under the old tax system. The company's products—metal cans and plastic and paper containers as well as packaging machinery—have a steady demand in this country and the growth potential overseas in less developed countries is good although it is no encouragement to realise that the South African subsidiary is amongst the most important. There are obvious difficulties to be overcome, from rising costs and competition, apart from higher tax, but this has not deterred Metal Box in the past. Last year a good summer at home encouraged a 40% rise in the demand for soft drinks cans and this is unlikely to be repeated this year. But Metal Box is

NEW ISSUE *These securities having been sold, this announcement appears as a matter of record only.*

$20,000,000

Kingdom of Denmark

6% Twenty Year External Loan Bonds of 1965

Dated June 15, 1965 Due June 15, 1985

Kuhn, Loeb & Co. Incorporated | Smith, Barney & Co. Incorporated | Harriman Ripley & Co. Incorporated | Lazard Frères & Co.

Danish Banking Group
consisting of

Privatbanken i Kjøbenhavn Aktieselskab | Den Danske Landmandsbank Aktieselskab | Kjøbenhavns Handelsbank | R. Henriques jr.

Algemene Bank Nederland N.V. | Amsterdam-Rotterdam Bank N.V | Banca Commerciale Italiana | Banca Nazionale del Lavoro

Bank of London & South America Limited | Banque de Bruxelles S.A. | Banque de la Société Génerale de Belgique S.A.

Banque de Paris et des Pays-Bas | Banque Lambert S.C.S. | Commerzbank AG | Crédit Lyonnais S.A. | Deutsche Bank AG

Dresdner Bank AG | Hill, Samuel & Co. Limited | Kleinwort, Benson Limited | Kredietbank N.V. | Lazard Brothers & Co. Limited | Lazard Frères & Cie.

Samuel Montagu & Co. Limited | N.M. Rothschild & Sons | Skandinaviska Banken | Société Belge de Banque, S.A. | Stockholms Enskilda Bank

Svenska Handelsbanken | S. G. Warburg & Co. Limited | Bergens Privatbank | Christiania Bank og Kreditkasse | Den norske Creditbank.

Blyth & Co., Inc. | Dominick & Dominick, Incorporated | Eastman Dillon, Union Securities & Co.

Kidder, Peabody & Co. Incorporated | White, Weld & Co. | Paribas Corporation.

New York, N.Y., June 29, 1965

Do salesmen know as much as they should about their products?

Sound product knowledge is essential to achieve presentation and successful selling but most Companies find it exceedingly difficult to teach their salesmen the product knowledge they wish them to have.

Product Knowledge Ltd is a modern analytical and instructional Centre which specializes in training salesmen in the detailed knowledge of their Company's products. *Each course is specifically analysed and prepared for its own Company.* The most up-to-date teaching techniques are employed using the latest audio methods and visual teaching machines. These methods represent a real breakthrough in the field of rapid instruction.

full information from:
The Director of Studies,
Product Knowledge Ltd
Argyll House, 246 Regent Street,
London, W.1.
Telephone Regent 4144 5

essentially a long term investment, and there is nothing to suggest that it will lose its attractions in the foreseeable future.

AMERICAN PROPERTY

Dollar Land Should Liquidate?

THE history of Dollar Land Holdings has been short and depressing. Launched at the height of the property share boom to enable English and Scottish shareholders to invest in North American property the company ran into management difficulties soon after its flotation. Two North American real estate experts, Mr Elliot N. Yarmon and Mr S. Joseph Tankoos, assumed the management and the property portfolio of the group built up steadily. From the problems and difficulties of other British investors, however, it soon became clear that making money in property in America was more difficult than many had realised, and certainly more so than in Britain at that particular time. More recently disappointment has grown as the company's operational profits have remained broadly unchanged since 1962 for a variety of reasons while its gross rental income has risen some 50% to £1.6 million. Finally, the taxation changes will hit the company both as an overseas investor and as a full-distributing property company. On the marginally short earned dividend of 6% paid last year the £1 shares yield 7.9% at 15s. 2¼d.

In fact the justification for this company's continued existence has largely ceased to exist. Nobody would subscribe for the shares of a North American property company if they were offered today. There is no sense in Britain's exporting capital to America nowadays; nor is expertise being sold: the management of the company is North American.

There must be many other companies where the excuse for not liquidating is equally small, but nothing happens because the directors' interests lie in carrying on. This is not the case with Dollar Land Holdings. The remuneration of Mr Tankoos and Mr Yarmon was to be mainly in the form of options to take up shares at 22s. 6d., at 28s. and at 30s., all before next May. And it is a fair guess that a significant stake of the equity is still owned by the London and Yorkshire Trust, which originally floated the company and which still supplies its chairman, Mr John French. Liquidation might therefore help everybody, although some alternative provision might have to be made for remunerating Messrs Tankoos and Yarmon: the terms of the share options have already been altered once in their favour. At book value the company's assets stand at 27s. per share. At the worst, an investor at current prices could see his dividend yield fall to 5.8%, assuming a reduced dividend from unchanged earnings, full distribution, American tax at 48% and ignoring transitional relief. The chance seems worth while.

Selling to Alcoa

SECOND COVENT GARDEN has had an even more eventful record. Its partner in the North American property business was none other than the fabled Mr William Zeckendorf, whose eventful career in North American property has now finally come to a sad end. Second Covent Garden emerged from the fracas with an acute financial problem: $38 million of loans against some $55 million of property producing very little income. In the year to September, loan and other charges absorbed the whole of the North American income; yet further finance is needed for property development. So the significance of the latest deal with Alcoa, whereby Second Covent's one third stake in one of its North American companies passes to Alcoa, is that the North American cash position improves by $21 million and in a full year the net income ought to be some $1 million better.

Adequate finance ought now to be available to bring the American properties to a state of financial self-sufficiency. The prospect of dividends from America however is still remote. In the meantime the group's British interests alone will have to support the dividend: and this, under corporation tax, would mean a dividend of 5%, although 10% has been promised for this year. The crucial unknown therefore is the trend of income from the British property interests, and some guidance would be welcome from Sir Brian Mountain on this. Meanwhile, at 10s. 2¼d. the shares offer a thin 4.9%.

EXCHANGE TELEGRAPH

For Investors—and Bookmakers

TO the investing public Exchange Telegraph is widely known as provider of information cards, wire services—and the dissemination of the Economist-Extel Indicator. In fact the company provides a comprehensive collection of information services for the City, providing the wire services for the Stock Exchange, a printing service for companies, and a city public relations service. These are all reputable, and gently expanding businesses.

But in the last few years Extel's growth has been too explosive to be accounted for purely by its financial news operations. Net profits after tax have risen in the last four years, from under £100,000 to £431,000 for the year ending March 31, 1965: allowing for one-for-one scrip issue last year, dividends have risen from the equivalent of 8¼% to this year's 25%. There have been a number of sensible and profitable acquisitions in printing and the like, but the main jump has come from the arrival of betting shops. Thanks to the acquisition three years ago of the "London & Provincial Sporting News Agency," an Extel service is an essential to bookmakers as it is to stockbrokers—and there are more bookies than brokers. Hence the growth. But there is no indication in the chairman's statement with the accounts as to future prospects. The growth in the number of betting shops is likely to level out—even though the threat from Pay-TV, which hoped to get much of its income from providing closed-circuit television of racing to betting shops, has faded for the moment. So Extel's next five years will not be as exciting as the last five: but there will be no diminution of profits. None of its clients can do without its services, but the market allows for more than this. The shares last traded at 32s 3d, to give a dividend yield of only 2.3%: but the pleasant cover of 2.6 prevents any corporation tax worries.

In Brief

Any Dividend?

The David Brown Corporation, makers of tractors and Aston Martin cars, among other things, is one of Britain's largest companies with the equity capital still entirely in private hands. The latest accounts, appearing just a year after the period to which they refer, show a marginal decline in profits at £1.1 million. After tax, £800,000 is available for distribution, but, as for the last ten years, there is no dividend on the equity capital although, even under the old tax rules, David Brown was liable to surtax direction. The reasons are clear: there are capital commitments of £1.2 million and a net overdraft of nearly £3.5 million. Clearly the revenue does not —and will not—expect such companies to pay dividends, so perhaps the worst fears of compulsory distribution under the new tax rules are unfounded. But then, not all close companies have such good use for their funds as David Brown.

EIU Quarterly Economic Review

MEXICO

Economic prospects under the new administration are very promising. Our review analyses the internal situation consequent on the changeover of regime and discusses growth prospects and the market for foreign capital goods.

Details and subscription rates:
THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St James's Place London SW1
HYDe Park 6711 ext 27
60 East 42nd Street New York NY 10017
Murray Hill 7-6850
Mr. J. Bushdid OPCIS Paseo de la Reforma
116 808 Mexico 6 DF 35-20-38 35-06-04

COMPANY MEETINGS

GODFREY PHILLIPS, LIMITED

CONTINUED UPWARD TREND OF PROFITS

PREDOMINANCE OF TOBACCO, CIGARETTES AND CIGAR ACTIVITIES

FURTHER HEALTHY EXPANSION OF TRADING RESULTS

MR P. A. GODFREY PHILLIPS' REVIEW OF YEAR'S ACTIVITIES

The fifty-sixth Annual General Meeting of Godfrey Phillips, Limited, was held on June 25th at the Registered Office of the Company, Cambridge House, 132 Commercial Street, London, E1, **Mr P. A. Godfrey Phillips** (Chairman of the Company) presiding.

The Secretary (Mr A. H. Grindell) read the notice convening the meeting and the report of the auditors.

The Chairman said: Ladies and Gentlemen, you have heard read the Notice convening the meeting and the Auditors' Report. As the Accounts and Directors' Report have been in your hands for some time with your permission we shall take them as read.

Since the last Annual General Meeting Mr Alan Macmillan has been appointed a member of the Board and stands for re-election later in our proceedings. Mr Macmillan, who comes of a tobacco family, joined the Company in 1947 on completion of war service in the Indian Army and has had a very thorough training in the tobacco industry. For the last few years he has been assisting Mr Waley on the export side and he took over responsibility for these functions on Mr Waley's retirement from active management.

At this meeting last year, in my forecast for 1964 I expressed the belief that the year would show better balanced and more profitable trading and I am very happy that this is confirmed by the figures before you today.

RESULT OF YEAR'S OPERATIONS

If you will turn to the Profit and Loss Account you will see that trading profits have continued the upward trend of recent years, only temporarily interrupted in 1962, and in 1964 an increase of nearly £570,000 carried them to a level in excess of £2,100,000, a figure only once surpassed in the history of the Group.

As you will also see trading profits are enhanced by a substantial Exceptional Profit of £162,589. This comprises the usual surplus which arises on the disposal of fixed assets and the sum of £144,794 the excess of insurance payments received over the written down value of plant and machinery destroyed by fire during the year. These assets were insured at replacement values and this recovery gives rise to the substantial profit which, as you will see, it is recommended be transferred to Capital Reserve. Despite an increased dividend from Pakistan, the total of dividends from trade investments is reduced as the result of the freezing by the Government of Ceylon of all foreign dividends. It is hoped that a solution to the present economic difficulties in Ceylon will be found and that this restriction will be lifted.

After crediting dividends from quoted investments and charging audit fees, depreciation and interest, the Group profit for the year before charging taxation was £1,820,873, an increase of nearly £700,000 over 1963.

TAXATION PROVISION

Taxation requires no less a sum than £854,713 and after crediting Provisions No Longer Required there remains a profit of £966,939. From this figure must be deducted £367,796 for the Interests of Outside Shareholders in Subsidiary Companies, leaving a profit attributable to the Members of Godfrey Phillips Limited of £599,143 as compared with £232,847 in the previous year—an increase of over £366,000.

After transferring £144,794 to Capital Reserve and £11,833 to General Reserve and deducting dividends paid, accrued and proposed, there remains to be carried forward to 1965 a sum of £1,841,528, an increase of £200,891.

BALANCE SHEET ITEMS

In the Balance Sheet of Godfrey Phillips Limited there has been no change in the share capital or capital reserve. The excess over current liabilities of current assets, quoted investments and advances and debits on current accounts amounts to over £1,300,000. As the Parent Company is in effect operating as central banker to the Group, this figure, although lower than in 1963, is in fact sufficient. There is some increase in the total of trade investments following a rise in the level of advances and debits on current accounts. This reflects the additional working capital requirements of The New English Library Limited in its expanding operations to which I shall refer in more detail later.

Turning to the Consolidated Balance Sheet, total shareholders' funds now stand at a figure of £7,271,842, an increase of over £357,000. The higher level of trading throughout the Group in 1964 is reflected in a substantial increase in stocks and debtors with a rather smaller increase in current liabilities. Actually current assets, quoted investments and advances and debits on current accounts together exceed current liabilities by well over £5 million and this satisfactory margin demonstrates the adequacy of the Group's liquid resources.

TRADING OPERATIONS

In reviewing our trading operations during the year, I am glad to report that our higher profits derive from an improvement in nearly all sections of the Group both at home and overseas. Understandably from year to year the fortunes of individual companies and sections fluctuate and indeed the spread of our interests both as to type and geographical location does act as an insurance and furthermore provides a wide and varied base on which to develop. This is perhaps the moment for me to try to dispel misconceptions which appear from time to time as to the relative importance and value to profits of our various activities.

TOBACCO INTERESTS

Taking our tobacco interests first, although our stake in the home market is limited, but nevertheless profitable through our ownership of Pritchard & Burton Limited, the long established manufacturer of BOAR'S HEAD tobacco, we maintain, in this London factory, a cigarette manufacturing operation, the entire output of which goes for export. We are strongly established overseas as manufacturers and distributors through our own very extensive factories and depots principally in India, Australia and New Zealand, and we are engaged in a profitable and developing association with the Premier Tobacco Company Limited in Pakistan, and we also have manufacturing arrangements in Switzerland and the Canary Islands and valuable leaf tobacco interests in Rhodesia.

Under the heading of tobacco activities must also be included our cigar importing subsidiaries; in this field we continue to enjoy a very sizeable share of the traditional cigar trade in the United Kingdom. I hope that this quick survey of the extent and scope of our operations will leave no doubt as to the predominance of tobacco, cigarettes and cigar activities in the structure of the Group. All in all these utilise

nearly 80 per cent of our total capital employed and they provide a still higher percentage of our total profits.

From this it follows that our Printing and Publishing Divisions are still of minor importance to the profitability of the Group, but it is our intention to develop these companies and the better earnings which they achieved during 1964 and which are continuing during the present year are justification for hoping that, in the near future, these activities will make a greater contribution to our prosperity.

PROGRESS OF AUSTRALIAN COMPANY

More detailed and individual comment on some aspects of the Group's operations will, I believe, be helpful to shareholders. Pride of place must go to our Australian Company, the progress of which has been most marked in recent years and which continues to expand its sales and profits most satisfactorily. The contribution which this Company makes to total Group profits is very substantial, despite the considerable share of its profits that goes to minority interests. The success of this operation is essential to our present and future profits, and I am therefore glad to be able to say that this progress is continuing and both sales and profits in the current year are running at an even higher level.

INDIA AND PAKISTAN

Our Indian Company also achieved signal success in 1964 in returning a record profit and in the current year its sales and profits show still further advances. There, however, we are faced by very high local taxation, particularly on dividends remitted to this country, and this tends to reduce the net benefits which accrue to the Group. Nevertheless it makes a most valuable contribution to our total results and must be regarded as another corner-stone in our success.

In neighbouring Pakistan, our Associated Company, Premier Tobacco Company Limited, continues to make most solid progress under the inspired leadership of its Chairman, Mr S. A. Samad, and is expanding and developing its manufacturing facilities to meet the rapidly increasing demands for its products as fast as its resources allow. At present this expansion dictates a moderate distribution policy which even so shows a most satisfactory return on our investment; as its cash resources grow we can, I am confident, look forward to increasing dividends from this source.

OTHER OVERSEAS ACTIVITIES

Our remaining overseas activities in New Zealand and in Rhodesia continue to thrive and we can I think justifiably take pride in the significant contribution that these investments are making not only to the Group, but to the fund of United Kingdom overseas investments generally.

There seems to be a tendency today among some politicians to look upon overseas investment as a less attractive alternative to export trade. In all those countries overseas where we manufacture we were originally driven to this course by a complete ban on importation which still applies fully in India and Pakistan. Had we not embarked on local manufacture we should be receiving no return from our established goodwill in those countries and this country's balance of payments would be so much the poorer. To Australia and New Zealand we have been able to resume exports to the extent that high duties and quotas permit, and therefore all income from local manufacture is an addition to our export earnings and to those of this country.

CIGARETTE AND TOBACCO OPERATIONS AT HOME

Turning to our cigarette and tobacco operations in the United Kingdom, I would like to deal first with our export trade carried on from this factory and for which Mr Macmillan is now mainly responsible. At this time last year I said that we were giving very serious consideration to our export trade and to the viability of exports in the fact of quota restrictions and increasing import duties in many overseas markets. From the beginning of this year, in order to streamline our production and make this trade more economic, we withdrew a wide range of obsolescent cigarette brands and are now concentrating on those with a more modern appeal. I am glad to be able to tell you that our export sales to date this year exceed those of our wider range for the same period of last year. Although it will be 1966 before the full benefit of this re-organisation is reflected in profit margins, these are already beginning to show some improvement. The prospect of further restrictions overseas is always with us and it can only be hoped that Government here will be mindful of the possible adverse effects of its own policies on the ability of our overseas customers to remain customers.

Our cigar importing subsidiaries, in spite of the difficulties of obtaining a regular flow of supplies, had a very good year and the outlook remains favourable despite the possibility of some slight recession in sales through hotels and restaurants should there be any curtailment of entertaining. I have already mentioned Pritchard & Burton Limited, our sole tobacco manufacturing and distributing Company in the UK. This Company continues to trade satisfactorily and to show us very worthwhile profits.

PRINTING AND PUBLISHING DIVISION

I will now turn to the Printing and Publishing Division which, as I have stated, at present constitutes a minor but nevertheless valuable part of our trade. As anticipated, 1964 proved to be a year of further advance and this is continuing during the present year. Our lithographic and letterpress printing Companies are steadily developing their sales and profitability, and our greeting card publishing subsidiary is increasingly benefiting from its new management and is more than holding its own in this expanding industry. It is our large stake, minority holding though it is, in The New English Library Limited, publishers of Four Square paperback books, which attracts so much limelight and is perhaps mainly responsible for the misconception as to the source of our profits and which I hope I have this time successfully dispelled once and for all. This publishing company leaped forward both in sales and prestige during 1964 and showed its anticipated profit. This trend is continuing during 1965 which should be another good year for this Company but its continuing expansion and substantial investment in future profit-earning titles precludes any dividend payments at the present time. There are furthermore past losses and development expenses to be recouped and we are unlikely therefore to receive any substantial dividend from this investment over the next few years. In the meanwhile, our American associates and ourselves are confident that together we are building a business which will continue to gain an increasing share in a rapidly expanding market with considerable potential profitability.

A COMPUTER DIVISION

We have added to our activities a Computer Division which, in addition to its inestimable value to Group management, sells its services to a large and growing outside clientele.

Before concluding this review I must once again pay tribute to the enthusiastic endeavours of our employees, staff and management throughout the Commonwealth who constantly have given of their best and have contributed so much to our success. Also I thank my colleagues for their loyalty and support in the direction of our affairs.

THE NEW TAXATION PROPOSALS

The future is overshadowed by the new taxation proposals which are heavily weighted against companies such as ours who over the years have built up substantial overseas investments, the income from which has been of such service to us and to the country's economy. The effect of the so-called "overspill" concessions is likely to be of only limited value to the Group. Depending on the rate ultimately fixed for Corporation Tax, and assuming that the Finance Bill becomes operative in its present form, the additional tax burden falling on the Group must make inroads into profits which would otherwise have been available for the further strengthening of reserves and development. On a happier note I am glad to be able to tell you that Group trading results so far this year show continued healthy expansion and, unless we suffer any further political or financial blows either at home or overseas, I look forward to a continuance of this trend and feel justified in hoping that increased earnings will at least equal the rise in taxation.

I now propose that the Report of the Directors and the Balance Sheet be received, approved and adopted; and that the payment of Dividends on all classes of Preference Shares and the proposed Dividend on the Ordinary Stock and Shares and the allocations as shown in the Profit and Loss Account be approved and confirmed.

I will ask Mr D. V. Littlejohn to second the Resolution and after he has done so I shall be glad, before putting the Resolution, to do my best to answer any relevant questions you may wish to ask.

Mr D. V. Littlejohn, TD, FCA, seconded the resolution and it was carried unanimously without question or comment.

The retiring directors, Mr D. S. Barron, CIE, Mr A. M. Borthwick, MCTD, and Mr A. J. Macmillan, were re-elected, and the directors having been authorised to fix the remuneration of the auditors, Messrs Pannell Fitzpatrick Graham & Crewdson, the proceedings terminated with a vote of thanks to the Chairman and directors.

DSM's 63rd ANNUAL REPORT

Total sales up, profits increased.

DSM's total sales to third parties in 1964 increased 13.5% to Dfl. 867,000,000.

Net profits after taxes amounted to Dfl. 54.000.000. for a 45% increase over the previous year.

Dividend investments

Reflecting its favourable results in chemicals, DSM paid a 12% dividend on capital stocks of Dfl. 125,000,000. In the year under review depreciation amounted to Dfl. 76,000,000, and investments increased to Dfl. 125.000.000. Expenses for chemical research amounted to Dfl. 30,000,000, or about 8% of total chemical sales volume.

Production

Production of nitrogen fertilizers increased 9% over the previous year, to more than 1 million metric tons.

Production of caprolactam for nylon 6 went up nearly 50,000 metric tons. An extension in two stages, to 75.000 tons in 1965 and to 100.000 tons in 1966, is projected. DSM now provides 25% of the caprolactam used in Western Europe.

Production of polyethene has gone up 50% and targets set for this year call for a production level of 70.000 metric tons. A new cracking installation with an ethylene capacity of 100,000 metric tons will go into operation in 1966.

Three new cracking units for processing natural gas as a feed-stock for hydrogen will be operational during the current year.

Natural gas

DSM's Chemical Works were connected to the natural gas grid of the Nederlandse Gas Unie at the end of the year under review. DSM participates for 40% in the Gas Unie, of which the Dutch Government, Standard Oil of New Jersey, Shell and DSM are shareholders.

Processing and Engineering

Selling know-how has become an increasingly important DSM activity. Stamicarbon N.V., DSM's subsidiary in charge of selling know-how, recorded a favourable year. There was special interest in the chemical industry abroad for DSM processes for the production of caprolactam and urea.

Joint ventures

DSM and Fisons Fertilizers Ltd. have established a new joint venture in the United Kingdom, Nypro U.K. Ltd., for caprolactam production based on the DSM process. The new plant will be built at Flixborough (U.K.) and is scheduled for completion in the second half of 1966.

Columbia Nitrogen Corporation, a joint venture of DSM and Pittsburgh Plate Glass Company, has opened a new ammonium plant and a new urea plant in the United States, at Augusta, Georgia.

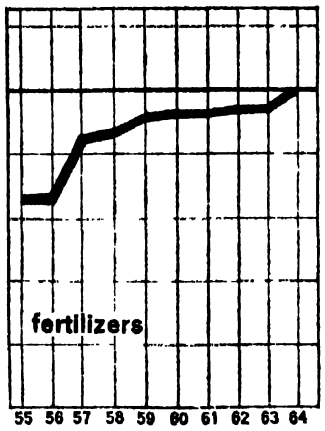
A second joint venture by DSM and Pittsburgh Plate Glass, the Columbia Nipro Corporation, has also been established in Augusta for the production of caprolactam by the DSM process.

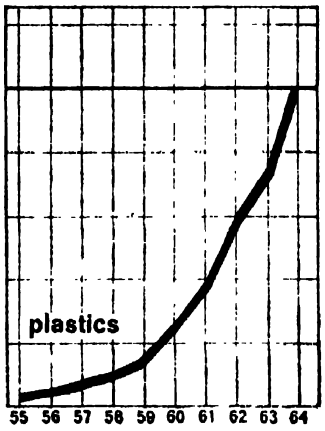
DSM has taken over the Dow Chemical Company's 50% share of the jointly owned phenol plant in the Botlek area near Rotterdam. The name of the now wholly-owned DSM daughter company has been changed to N.V. Chemische Industrie Rijnmond.

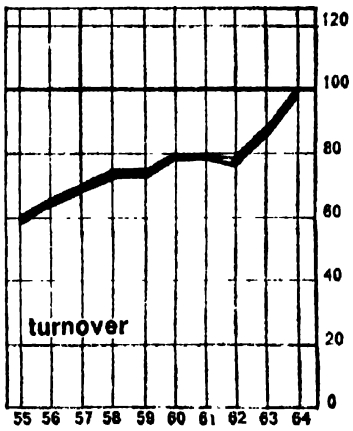
Prospects

First quarter results for the current year were higher than in the same period of 1964. It is a reasonable assumption that the company's joint activities will record a profit exceeding that of 1964.

Copies of the Annual Report may be obtained from DSM's Information Centre, Post Office Box 65, Heerlen, the Netherlands.







WHESSOE

DARLINGTON & LONDON **ESTABLISHED IN DARLINGTON 1790**

Designers and Builders of Capital Plant for the Oil, Chemical, Gas and Nuclear Power Industries

1964 REPORT

The Forty-fifth Annual General Meeting of Whessoe Limited will be held on Wednesday, July 21st, 1965, at 40, Broadway, London, S.W.1.

The following is an extract from the Review of the Chairman, **Mr John H. Lord, C.A., F.I.R.I.**, which has been circulated with the report and accounts for the year ended March 31st, 1965:

The Directors' Report refers formally to the retirement of Mr T. Heslop from, and the appointment of Mr A. W. Wagstaff to, the Board of Directors. Mr Heslop joined the Company originally in 1927 and, after an interval of eight years, rejoined as Secretary. He retired from executive duties in April, 1960 but remained on the Board. He now wishes to retire having reached 70 years of age and on behalf of my colleagues I would like to record my appreciation of his long and valued service and the benefit we have derived from his wise counsel and experience of the Company's affairs.

Mr A. W. Wagstaff joined the Company as Secretary and Financial Controller in April, 1960 and was appointed an additional Director in December, 1964. He is now also responsible for the General Administration work of the Group and we are confident he will contribute valuable services as an executive Director.

General and Financial

Your Directors have pleasure in again reporting a substantial improvement in the results for the year compared with the preceding year, the improvement in the Profit before Taxation being 28 per cent. The volume of enquiries which was noticeably higher towards the end of 1963 continued to increase in 1964 and was at a high level in the closing months of the year. Margins have improved only very slightly overall and this is especially the case in contract work which is the major portion of the Group's activities, where costs (particularly for labour including staff) continue to rise over and above normal inflation and therefore the resultant margin is either extremely small or there may only be a contribution towards Fixed Overheads. The return on the Capital employed is consequently still too low.

The advance in technological developments to meet the continuously increasing demand for larger Plants and Cost-reducing Processes calls for still greater and more costly research, design and technical facilities. These have to be paid for out of our overall profit with a corresponding reduction in the surplus remaining towards providing for contingencies, the financing of new equipment, and finally some return to our Shareholders.

The size of desirable contracts continues to grow larger and more complex and the time from design and tendering to commissioning and final hand-over is lengthening appreciably with the inevitable increase in risks and responsibilities undertaken by the construction contractor. Labour relations in our Darlington and other Works are good but unfortunately there has been no improvement in the recurrence of local strikes on sites, to which I referred in my last year's Review. The effect, not only on the cost of the contract work, but in delays before a Plant can begin to produce, is serious. Thus every aspect of industry and the national economy suffers irrecoverable damage. Where justifiable claims for wages or benefits are put forward they can and will be negotiated. The tragedy today is that National and Senior Trades Union officials are more than helpful but are baulked at local level by the pursuit of some narrow sectional interest. We accept, in fact we certainly endorse, any system whereby individual or sectional views should be heard and considered, but the restrictive practices and local unofficial strikes of today and the claims and methods of negotiating them cannot be justified on any grounds which give due consideration to the equity and real benefit of all parties, including the national interest, and the long-term standard of pay and conditions of the operatives themselves.

This is a matter to which your Board gives unceasing attention and deliberation and, with the energy and skill of our executive management, we believe we achieve better than average work, loyalty, and results. Our efforts to find an improved basis on which site work can be conducted in a better atmosphere will wherever possible be increased in the hope that we shall meet a proper response and so benefit all concerned.

In reviewing the financial position of the Group as at March 31st, 1962 I pointed out the changing pattern of our contract work in terms of longer periods, increasing consequential risks, and possible financial adjustments in subsequent accounting years. From the comments in the preceding paragraphs of this Review it will be appreciated that the contingent risks have still further increased with the size of contracts and the longer-period involvement. There is also another important aspect in that the increasing complexity and technological development of our work now involve greater risks. In view of the changing circumstances I have described above, your Board now considers it is more appropriate that a Reserve for Contingencies of £500,000 should be created to cover the longer-term risks referred to above and that the Provision for Contingencies created in 1961/62 should be retained at £250,000, the necessary financial adjustments being detailed later under the heading "The Accounts."

Divisions

All Divisions within the Group achieved improved results for the year. The total orders received were higher than last year and therefore constituted a further record. Due to the incidence of certain large overseas contracts, the total orders for Export and Overseas work fell short of last year's 41 per cent, but we achieved a satisfactory proportion at 31 per cent, and the actual turnover value increased. These comparative figures exclude Nuclear Power Station contracts which are relatively large and intermittent.

The Erection Division again achieved a good volume of production in spite of considerable difficulties with site labour. The numbers employed were at a high level through the year and the Wylfa Nuclear Power Station contract for Reactor Liners made heavy demands on our supervisors, project engineers and technical staff.

Early in 1964 in order to meet the demand in certain specialised processes in the oil, chemical and gas industries, we constituted a new Projects Engineering Division. The new Division has fully justified itself and has obtained valuable orders in gas reforming and chemical nylon plants. Considerable effort in design and tendering has also been undertaken for overseas plants and we hope this will in due course result in orders.

Our Sales organisation has also been reorganised and a Marketing Division created which provides common services and co-ordinates marketing at home and overseas. Already a most satisfactory improvement in our selling efforts and in our trade and public relations is evident.

Our Darlington Works improved their throughput at the same rate of increase as for the previous year. The total works personnel increased by 12½ per cent and the

average hours worked also increased. The Stooperdale Works, purchased from British Railways, has now been largely occupied and full occupation will be completed in 1965-66. A major scheme of equipping this Works with up-to-date plant and of building alterations to integrate with our main Works is now in progress and credit is due to our Darlington Works Management for the energetic way they are carrying out this work and at the same time obtaining most useful production from the additional space and facilities. In this connection I would like to acknowledge the consideration and financial assistance received from the Board of Trade, both centrally in London and regionally in the North East, in respect of our expansion schemes for the Stooperdale Works and our new Works and Technical Offices.

The Research and Development Division again expanded in personnel and scope with the emphasis on improvement and extension of existing products. The use of Computers for technical purposes which was commenced two and a half years ago increased six-fold in the year.

The Light Products Division achieved the highest order intake since this Division commenced production of Fittings, Controls Measurement Systems, etc., in 1949. The servicing of Fittings, etc., is growing and we hope this will continue as we believe it is important and should contribute to the general success of this Division.

The Plastics Division suffered a setback in the collapse of a development contract during the year. The cost of this development amounting to £31,000 after tax has been charged to our Contingencies Reserve. However, intensive efforts, particularly by the Marketing and Sales Divisions, resulted in an increase in orders and a wider acceptance of our more technical type of plastic product. We are confident that the Plastics Division will show satisfactory growth and profit.

Subsidiary Companies

All the Subsidiaries of the Group are 100 per cent owned and earned profits for the year under review. They have considerably strengthened their positions in customer acceptance, experience and skill in widening the scope of work undertaken, and are building stronger management and works teams.

Dividend

In my circular to all Shareholders dated March 23rd, 1965, it was stated that the Board's intention, subject to unforeseen circumstances, was to recommend a final dividend of 15 per cent less Income Tax. Your Directors have confirmed their earlier intention and have recommended a final dividend of 15 per cent less Income Tax making the total dividend rate 22½ per cent on the increased capital, compared with 20 per cent paid for the previous year.

Taxation

The provisions of the recent Finance Bill 1965 with regard to future Company Taxation materially alter the basis and scope of assessment, but the immediate effect will not greatly add to the taxation burden of this Group under present circumstances. Our major concern, as I believe it should be of everyone, management and labour, in industry is with the long-term implications of the recent Finance Bill. It would appear that this present Government is intent upon raising industry's share of the total taxation burden, and this must surely be detrimental in every way to the economy of the country.

The Accounts

The Group Profit for the year, after all deductions except Taxation, amounts to £970,000 compared with £757,000 last year. The charge for Taxation increases accordingly and also because of the increase in the rate to 8s. 3d. in the £ amounts to £502,000 against £379,000 leaving a Group Net Profit of £468,000 compared with £378,000 last year.

For the reasons set out earlier in this Review the Directors have created a Reserve for Contingencies of £500,000 by transferring £73,207 from the Provision for Contingencies and £426,793 from Unappropriated Profits.

Mr John H. Lord, C.A., F.I.R.I.

The issued Ordinary Share Capital of the Parent Company is now £1,914,436 as against the authorised Ordinary Share Capital of £2,750,000, all in 5s. Ordinary Shares. The increase arises from the purchase of the new Irish Subsidiary Company for £180,000 satisfied by the issue of 87,432 Ordinary Shares and £80,000 Cash.

Due to the above cash disbursement and expenditure on buildings, plant and working capital of the Group our liquid resources in Bank Balances and Short-term Deposits have decreased to £634,000. This amount, together with credits established as available from the Company's bankers, is considered by your Directors to be adequate for the immediate normal requirements of the Group.

Due solely to completion of work on two very large Nuclear contracts, Group Work-in-Progress (gross) at March 31st, 1965, shows a decrease of £784,000 over the figure a year previously. After deducting instalments received the net Work-in-Progress has slightly increased.

The Investment in Subsidiaries has increased by £292,000 almost entirely due to the purchase of the total Net Assets, and subsequent expenditure on extensions and plant, of Whessoe (Ireland) Ltd.

The Trade Debtors and General Stocks, Stores, etc., have increased in line with the greater volume of work and Bank Balances and Short-term Deposit taken together have accordingly decreased. Overall the Net Working Capital of the Group has increased by £343,000 over the year.

Personnel

The total permanent employees of the Group increased in the year by 100. Shortage of skilled labour and of the right type of trained experienced staff called for still greater expenditure of time and effort by our Personnel Department in ensuring not only recruitment but in limiting the "turnover" of employees which has developed as a consequence of full employment. Great credit is again due to the efforts of all sections of the Group's employees reflected in the improvement in the productivity and results in every Division and Company. It is in this context that I mention the excellent progress made by our Marketing and Sales Divisions, especially those centred on London and Darlington, supported by the high quality of our Publicity Department.

In order to strengthen the Management structure of the Group and particularly to ensure continuous co-ordination of the various aspects of management, the Board recently introduced a scheme for the appointment of a Local Board of Directors at Darlington, which is representative of Sales, Production, Erection, Research and Development and Administration, under the chairmanship of the Managing Director. This new arrangement is working well, particularly as this Local Board takes positive action in day-to-day management and has the duty to make recommendations to the Main Board on policy matters.

Prospects

The year 1965-66 commenced with a record volume of Orders in Hand and the balance between short-term and long term is better. Although slightly better margins have been obtained in most of these forward contracts the prospect is clouded by the possible effects of the new taxation, credit restrictions, and the continuous wage "drift" superimposed on national wages and benefits awards.

We have an established good reputation and standing in a wide sector in the capital plant industries which we confidently expect to improve.

The rate of improvement in profits of the last two years may not be sustained in view of the uncertainties, political and consequently economic, which increase rather than decrease in this country and overseas. I think therefore it is neither sound nor practical at this time to attempt any specific forecasting of the future but your Board have great confidence that in the current year we shall achieve some further increase in the volume of work carried out and some improvement in our results.

ARTIZANS' & GENERAL PROPERTIES COMPANY LIMITED

PRE-TAX EARNINGS SUBSTANTIALLY HIGHER

The ninety-eighth Annual General Meeting was held at 160 Brompton Road, SW3, on June 30, 1965. The Chairman **Sir Richard H. A-G-Calthorpe, Bt, CBE**, made the following points:

1. Pre-tax earnings for the Group for 1964 at £837,671 were £201,000 above those for 1963. It must not be assumed that trading profits at £256,788 will continue at this level, but on the other hand, investment income is expanding in accordance with the Board's policy.

2. The final dividend for 1964 of 5 per cent, less tax, on the ordinary share capital, as increased by a one for two bonus in March, 1965, together with the interim dividend of 6 per cent, less tax, paid in September, 1964, represents 13½ per cent for the year as compared with 12½ per cent for 1963. This dividend is approximately one and a quarter times covered.

DIVERSIFICATION AND EXPANSION

3. 1964 was an important year for Artizans. The sale of Queen's Park Estate in September was a significant step forward for the Board's policy on diversifying and expanding the Group's holdings. At December 31, 1964, 42 per cent of the Group's net rental income arose from non-residential properties; by the end of 1965 this figure is expected to reach 50 per cent.

   In principle, the Rent Bill now before Parliament offers some prospect of relief from the pegged rents which still remain from the 1957 Rent Act. Nevertheless, discussions are now taking place with certain London Borough Councils regarding the possible sale to them of further weekly rented properties in London. These discussions are at an early stage and the Board will report to Shareholders when any definitive agreements are reached. As in the case of the Queen's Park sale last year, the Board considers that it is in the interest of both the company and its tenants that these properties should pass into local Authority ownership, provided that mutually acceptable terms can be agreed. The houses and flats can be more comprehensively used as part of London's housing pool and, looking further ahead, the wider task of comprehensive redevelopment will be facilitated.

CORPORATION TAX AND FUTURE DIVIDENDS

4. The sweeping revisions of the basis of company taxation proposed in the 1965 Finance Bill complicate forecasts for future distributable earnings. The Group's profits for 1965 will be assessable in part to income tax and profits tax and in part to corporation tax, and the exact basis will not be ascertainable before the year's end. Nevertheless, assuming that corporation tax does not exceed 40 per cent your Board consider that it should be possible to maintain the 1964 rate of dividend for 1965, subject to unforeseen circumstances.

   At this stage the Board is not ready to forecast for 1966 and subsequent years except to say that it seems clear that against the background of a 40 per cent corporation tax the comfortable maintenance of the current rate of distribution will require pre-tax earnings for the Group to be lifted to the £900,000 level; the Board has every intention of trying to achieve this as soon as possible.

5. Figures for the half year to June 30, 1965 will be published at the end of September. Up to now the interim dividend on the ordinary share capital has been paid in September, very closely following the payment of the final dividend in July. For this and subsequent years it is proposed to announce the interim dividend when the half year figures are published and to pay the dividend in December, thereby giving a more even spread of the interim and final dividend payments.

6. The parent company's properties are stated in the Balance Sheet at £5,562,055, based on the Company's Surveyor's valuation during 1957 with subsequent additions at cost and less depreciation and amortization. In 1962 it was reported that the value of these properties was then some £2 million in excess of the Balance Sheet figure. The Board has now felt it right to obtain a professional valuation of these properties (other than those recently acquired), and this discloses that the current market value of all the parent company's properties is rather over £10 million. The properties held in the subsidiary companies, all of which are trading companies, have not been revalued.

The report was adopted.

COMPAGNIE GÉNÉRALE D'ÉLECTRICITÉ

(Paris)

The Annual General Meeting of COMPAGNIE GENERALE D'ELECTRICITE was held in Paris on May 26, 1965, and the following are details of the Report for the year 1964 presented by the Board of Directors:

AGREEMENTS WITH ALSTHOM AND C.S.F.

Three Limited Liability companies were set up by C.G.E. and ALSTHOM on December 31, 1964. *Alsthom-Savoisienne* to manufacture high-capacity transformers, and measuring equipment as well as static condensors. *Delle-Alsthom* to manufacture high-tension equipment, and prefabricated equipment. *UNELEC* to produce low-tension equipment, distribution transformers, small- and medium-power motors.

Compagnie pour l'Informatique et les Techniques Electroniques de Contrôle C.I.T.E.C. was formed by C.G.E. and C.S.F. on November 30, 1964 as a Société Anonyme. Each parent company holds and will continue to hold one half of the share capital. *C.I.T.E.C.* will be responsible for automatic and electronic equipment, computers, and other equipment concerned with data computing.

RESEARCH, MANUFACTURE AND SALES

Turnover in France rose from Frs. 1,816m (£131,594,200) in 1963 to Frs. 2,106m (£152,608,690) in 1964, including Frs. 824m (£59,710,550) for the company itself and Frs. 1,282m. (£92,898,550) for subsidiaries controlled by C.G.E. Orders received increased from Frs. 1,891m. (£137,028,980) in 1963 to 2,206m. (£159,855,070) in 1964.

Export orders received by the Group reached Frs. 283m. (£20,507,246) in 1964, or 29 per cent more than in 1963. The rise between 1962 and 1964 therefore totalled 77 per cent. Export records of 21 and 15 per cent of all orders were broken by C.G.E. itself and other members of the Group in 1964. *Société C.G.E. Internationale* was formed during the year to co-ordinate the export efforts of the Group.

The new Research Centre at Marcoussis was formally opened in May, 1964, and other laboratories were opened near the French National Telecommunications Research Centre in Brittany.

PROFITS AND DIVIDEND C.G.E. - PORTFOLIO

Income from Companies in which *Compagnie Générale d'Electricité* has holdings increased to Frs. 14,463,000 (£1,048,043), and the sum of the holdings themselves by Frs. 17,739,000 (£1,285,434). They were shown in the Balance Sheet on December 31, 1964, after depreciation, at Frs. 253,635,210 (£18,379,363).

The Accounts were balanced on December 31, 1964 at Frs. 1,089,874,921.52 (about £78,974,480), or Frs. 77,821,040.19 (£5,631,205) more than on December 31, 1963.

Net profits were 10 per cent higher in 1964 at Frs. 30,050,229.21 (£2,177,552) than in 1963.

The Board recommended the payment of a gross dividend of Frs. 9.00, at a total cost of Frs. 27m. The net dividend recommended on each share was therefore Frs. 7.84. It was also proposed to carry forward Frs. 214,384.

The report, the accounts, and the proposals put forward by the Board of Directors were adopted.

THOMAS LOCKER (HOLDINGS) LIMITED

(Manufacturers of Screening, Filtration, Conveying and Handling Equipment)

AN EVENTFUL AND SUCCESSFUL YEAR

MR J. R. LOCKER ON MERGER BENEFITS

The eighteenth Annual General Meeting of Thomas Locker (Holdings) Limited was held on June 29th in Warrington, **Mr J. R. Locker** (chairman and joint managing director) presiding.

The following is his circulated statement:

My first duty is to report with deep regret that in August last we mourned the loss of our late Chairman, Cecil Locker. Thomas Cecil Locker joined the Company in 1912 and for over fifty years served it faithfully and well. He was appointed Joint Managing Director in 1926, and Chairman in 1937. During these years he guided the affairs of the Company with great wisdom and enterprise, and did much to build up the present World Wide Organisation. Fortunately, during recent years much thought has been given to building a Management team to meet the ever growing demands and I am confident they will continue, in the future, the great traditions of the past.

Some changes in management have been made in the present year and in addition to my election as Chairman, Brian James Pitchford was appointed Joint Managing Director and James Peter Douglas, who has been one of our principal executives for some years, was appointed a Director.

THE YEAR'S RESULTS

The Group profit after taxation amounted to £296,831 against £267,601 last year and we have been able to transfer £174,002 to the General Reserve Account.

Your Directors recommend the payment of a final dividend of 10 per cent making with the interim of 5 per cent which you have already received, a total of 15 per cent for the year, as compared with the equivalent of 13½ per cent for 1964.

I am very pleased to report that the past trading year was a most successful one and resulted in a record profit. The accounts incorporate the results from Associated Perforators & Weavers Limited for the nine months ended December 31, 1964, which were most encouraging. I feel that the merger of our Metal Perforating, Wire Weaving and Wire Work interests with those of G. A. Harvey & Co. (London) Ltd., has proved beneficial to both companies, and I look forward to increased benefits following further rationalisation and development.

During the year under review we negotiated the purchase of Andrews & Higgs Pty. Ltd., Melbourne, Australia, and the Group trading profit includes six months profits of that Company. This newly acquired Subsidiary is well known in Australia as a Manufacturer of Metal Fabrications and Pressings. The Plant is well equipped for this work and is situated very close to our own Australian Works. They have in fact been supplying us with Engineering Components for some years. The acquisition has strengthened our Australian investment and the results to date have proved most satisfactory.

The satisfactory results produced by our South African subsidiary in the year 1963/64 were not maintained during the year under review, but measures have been taken which will, I hope, enable them to regain their previous level of profitability.

There has been no substantial improvement in the results of our Belgian subsidiary, though here again measures taken within the last few months should give better results in the coming year.

VERY SATISFACTORY ORDER BOOK

The demand for our products both in the Home and Export Markets continues at a high level and the present year shows a very satisfactory order book. Unfortunately, the effect of Government Policy on trading conditions is very difficult to foresee, but given normal conditions without major upset, I feel confident the coming year should be quite favourable for us.

In conclusion, I wish to record our appreciation to the Management, Staff and Employees of the Group, both at home and overseas, for the loyal manner in which they have carried out their duties during the past year.

The report and accounts were adopted.

LANDEL TRUST LTD.

The fourteenth Annual General Meeting of Landel Trust Limited will be held on July 20th in London. The following are extracts from the circulated Statement of the Chairman, **Mr G. E. Marden, MC,** for the year 1964:

The total gross profit of the Group for the year ended December 31, 1964, rose from £442,015 to £549,639.

The net profit of the Group was £193,342 compared with £149,973 in 1963. The Board recommends a final dividend of 12½ per cent, less tax (making 17½ per cent for the year).

Despite the continued unfavourable trend in fire business British Merchants Insurance, Dominion Insurance, and our underwriting subsidiaries all made overall underwriting profits and showed satisfactorily improved results compared with the previous year. The brokerage companies continued to make progress.

Your Board continues to consider various proposals for the extension of the Group's interests at home and overseas. As part of this plan, in January this year the issued capital of Credit & Guarantee was increased (to £500,000), by £350,000 of which Landel Trust subscribed £125,000 and other Group interests £150,000; in addition De Falbe Halsey has acquired an overseas subsidiary during the current year.

We are hopeful that the changes in taxation foreshadowed by the Finance Bill, which cannot at this stage be assessed, will not preclude the payment of the present rate of dividend for the current year.

COURAGE BARCLAY & SIMONDS

Highlights from the circulated Statement by the Chairman, Mr. R. H. Courage

The Group profit before taxation and after depreciation was £6,643,251, an increase of £358,161 on the previous year. The Board recommend a final dividend of 8½ per cent (total 12 per cent compared with 11 per cent last year).

In the circumstances of the year's trading it is satisfactory to record a marginal increase on the previous year's beer sales. Tavern Keg Bitter was particularly successful and Harp Lager sales were good, reflecting a steady rise in the popularity of British lager.

During the year the new bottling store at Park Street was officially opened and additional fermenting vessels in the Horselydown Brewery commissioned. At Reading also, additional fermenting capacity has been installed and at Alton a new automatic kegging plant has been brought into operation.

A higher rate of capital expenditure will be required in future to improve more public houses and hotels, thus necessitating the provision of additional funds.

In spite of higher duties, the wine and spirit trade of Charles Kinloch & Co. Limited continued to expand. The main increase was in the sale of wines of which Kinloch's own brands continued to account for a high proportion.

Arthur Cooper (Wine Merchant) Limited showed a good profit increase and has just opened its three hundredth branch.

Courage (Export) Limited and Saccone & Speed overseas companies have again had a successful year.

Horselydown Property Investment Company Ltd. continues to make progress. The projects in Maidenhead and Bristol have been completed and those in Slough and Bromley are proceeding well.

Whilst the Company should now reap further benefits from rationalisation, the short term prospects are more affected by imponderables than usual. I have in mind the degree of success which the Government's efforts may achieve to stem the rising cost of living, the still higher excise duties on beers, wines and spirits imposed in the recent Budget and the raising of income tax, all of which must affect the prosperity of the licensed trade. The Corporation Tax is likely to increase the overall tax burden, and the Group will have to bear increases in costs of many kinds during the current year. To sum up, whilst I view the longer term with confidence, the immediate outlook is less inviting.

LA REDOUTE

The Annual General Meeting of La Redoute was held on June 10th, M. Henri Pollet-Glorieux, Chairman of the Board, presiding. The accounts and the balance sheet at February 28, 1965, were adopted.

During the year under review the Company reached a growth rate of 31.4 per cent, with a turnover of Frs. 283.8m. as against Frs. 216m. for the preceding year, and more than 4m. orders, an increase of 18 per cent in number and around 11 per cent in average value.

The Company is a member of CEM (Committee of European Mail order), as a result of agreements concluded with four important foreign mail order concerns: OTTO VERSAND (Germany); FREEMANS (UK); DAELLS VAREHUS (Denmark); and WISKEDALS (Sweden). This agreement, which initially foresees exchanges of views and information, is intended subsequently to lead to a Central Purchasing Organisation on a European, or indeed a world wide, scale.

Net profit for the year amounts to Frs. 4,553,921.63 as against Frs. 3,025,450.80 in 1963, an increase of 51 per cent.

The net dividend per share, Frs. 6 the previous year, has been fixed at Frs. 7 for the year under review.

Turnover for the first three months of the current year (March, April, May) shows a further increase of 38 per cent.

KILLINGHALL TIN LIMITED

MR ADDINSELL'S STATEMENT

The thirty-fifth Annual General Meeting of Killinghall Tin Limited was held on June 25th in London, Mr J. Addinsell, the Chairman, presided.

The following are extracts from his circulated statement:

Dredging conditions during the year continued to be arduous and increased power requirements were mainly responsible for higher operating costs. There was a substantial increase in production although there were, as usual on this property, wide fluctuations in the monthly outputs owing to erratic distribution of values. The year's output of tin ore was 676¼ tons, which compares with 375¼ tons for the previous twelve months.

Tin prices were also considerably higher over the financial year and the profit before tax was £247,127, as against £34,721 for 1962-63. The Company's rate of profit came within the scope of the Malaysian Tin Profits Tax and of the total taxation provision of £119,138, £15,000 is attributable to this new tax. Interim dividends totalling 70 per cent have already been paid and a final of 30 per cent is recommended, making 100 per cent for the year.

For the first half of the current financial year the output was 672½ tons, compared with 361 tons for the same period last year. This substantial increase in production was due to the treatment of a localised enrichment not indicated by previous boring results. For the remainder of the year production is anticipated to be at a lower but satisfactory level.

As previously announced, it is proposed to develop an opencast mine in virgin ground reserves on the eastern side of the property and the Company has already received approval in principle from the Mines Department for the proposed mining scheme. Equipment has been placed on order and operations are expected to commence by the close of this financial year.

The reserves of ground initially selected for mining by opencast methods will reduce the overall life of the virgin reserves, previously selected to be dredged, by about three to four years. There should, however, be an increase in the overall production from the property, as it is hoped that it will be possible in due course to exploit more fully by opencast methods the local enrichments left behind below the maximum digging depth of the dredge.

Results for the current year and future years will be affected materially by taxation changes both in Malaysia and the UK.

The report and accounts were adopted.

PECHINEY

Paris

ELECTRO-METALLURGICAL PRODUCTS

The ordinary General Meeting of PECHINEY was held on May 24, 1965, under the chairmanship of **Monsieur Raoul de VITRY.** The meeting approved the accounts for 1964, which showed a net profit of F. 49,026,745, against F. 47,509,972 in the previous year, and after F. 95,491,579 in amortisations and formation of reserve funds.

Total turnover without taxes amounted to F. 1,011,643,000, i.e. 8.18 per cent higher than in 1963. Exports accounted for 35.6 per cent of sales against 35.5 per cent the previous year.

All the resolutions submitted were adopted.

The net dividend, fixed at F. 4.25 per share, against F. 3.97 in 1963.

Messrs Ernest CORDIER and Bernard de PEYERIMHOFF, outgoing directors, were re-elected.

In the United States, the Company took a 25 per cent interest, through a United States subsidiary PECHINEY ENTERPRISES INCORPORATED, in the construction of an aluminum reduction plant, which will be operated by a company formed specially for that purpose, INTALCO ALUMINUM CORPORATION. The other stockholders are: HOWE SOUND COMPANY, associated with the Group, and AMERICAN METAL CLIMAX, who hold 25 per cent and 50 per cent respectively.

In Australia, Queensland Alumina Limited has started construction of its Gladstone plant which is to have an initial capacity of 600,000 metric tons. The participants in this venture—Kaiser Aluminum, Consolidated Rio Tinto Zinc Australia, Aluminium Limited and Pechiney—have contractually agreed upon bauxite supply, operation of the plant and alumina delivery.

In his speech, the Chairman stated that in 1964 the Company and its subsidiaries profited from the favourable development in aluminium and chemicals, and that this fiscal year could be regarded as an encouraging phase.

He concluded by saying that, despite a market situation which was still sluggish in France, 1965 promised overall to be satisfactory or even favourable in some respects.

John Mowlem & CO LTD

BUILDING & CIVIL ENGINEERING CONTRACTORS

Mr E. C. Beck reports on widening sphere of operations in his review of home and overseas activities

The sixty-second Annual General Meeting of John Mowlem & Company Limited was held on June 29th in London.

Mr E. C. Beck, Chairman, in the course of his review, said:

Trading results for the year under review have been disappointing. Turnover increased by some 16 per cent, but on two large contracts losses were incurred and have been provided for in the Accounts.

As was indicated to you last year, we have liquidated our African Companies, and during the year under review a surplus of £327,495 was realised.

It is pleasing to be able to report that confidence in the East African territories appears to be improving and our activities there are now growing.

The Directors have declared a dividend of 14 per cent on the Ordinary Share Capital, the same rate as the previous year, and they have repeated the distribution of 2½ per cent from Capital Reserve. This Capital Distribution has been made possible by the surplus realised on the liquidation of our African Companies.

We have recently acquired two new Subsidiary Companies, namely Damison Limited and E. Thomas and Company Limited. The former operates from the London area while the latter operates from Falmouth in Cornwall.

We are now operating outside the London area, either through Subsidiaries or Branches, at Cambridge, Doncaster, Edinburgh, Bath, Falmouth, and we intend in the near future to set up further Branches in other areas of the United Kingdom.

FORSTERS GLASS

COMPANY LIMITED

Manufacturers of Glass Containers

Extracts from the

ANNUAL REVIEW BY THE CHAIRMAN SIR CHARLES PONSONBY, BT.

Under the newly constituted Board of Management, the Company has shown a profit before taxation of £257,822, which is £100,595 greater than last year's comparable figure. After two disappointing years it redounds to the credit of all employees that in a year of extreme pressure and strain, an excellent recovery has been made.

At more than £3½ million, sales reached an all time record, being an increase of 10·4% by value and 5·7% by weight over the previous year; 12·6% of our sales by weight went to overseas customers, the Company being probably the largest single exporter of glass containers in the United Kingdom.

Attention is drawn to an article in the May, 1965, issue of "Packaging News," which highlights a number of new lines introduced by the Company, notably the Forster Half-Gallon Beer Jug, winner of the SPECIAL AWARD of the Glass Manufacturers' Federation in the STARPACKS 1965 competition at the International Packaging Exhibition.

Practically the whole of the book value of our fixed assets is in respect of capital expenditure made in the last ten years; this is still running at the rate of £180,000 per annum. Improvements during the year included the introduction of a 24-hour stock control system aided by radio-telephone communications within the factory to improve service to customers.

COMPARATIVE RESULTS FOR YEAR ENDED MARCH 31st, 1965

		1965 £	1964 £
Profit on Trading ...		465,213	359,455
Non-recurring Items		—	26,233
Profit		465,213	385,688
before charging the following :—			
Depreciation and Written down Book Value of Plant and Machinery Scrapped		163,955	159,036
Staff and Works Employees' Pension and Life Assurance Schemes...		37,413	36,911
Interest paid on Debenture and Bank Overdraft		6,023	6,281
		207,391	202,228
Profit before Taxation		257,822	183,460
Provision for Taxation ...		101,536	68,345
Dividends (Net) :—			
On Preference Shares—7½%		8,039	8,039
On Ordinary Shares—			
Interim—4%	20,213		
Final (Proposed)—6 %	29,081		
		49,294	44,215
Profits Retained		98,953	62,861

ATLAS GLASS WORKS, ST. HELENS, LANCS.

E.V. INDUSTRIALS LIMITED

Summary of 1964 results

The sixty-sixth Annual General Meeting of E.V. Industrials Limited, a holding company with electrical and building interests, was held in London on July 1, 1965, and a final dividend of 5 per cent was approved making a total of 7½ per cent.

The following is a summary of the statement by the Chairman, **Mr Gordon Heynes, CA :**

★ During the year the process of re-forming the Group to avoid too wide a variety of trades has been continued and intensified. Although this has mainly taken the form of disposing of companies it was considered to be absolutely necessary for the improvement of the health of the Group and the reduction of its very serious Bank indebtedness.

★ The main undertaking of English Velvets Ltd. has been sold. The decision was made after all efforts to put the Company on a profitable basis had failed. A valuable 8 acre site remains which should yield an excellent price in due course.

★ The Furse Group of Companies has had another excellent year and its business should continue to expand, especially now that more funds will be available.

★ The Kontak Manufacturing Co. Ltd., following changes in management, had excellent results in 1964 and progress has been maintained in 1965.

★ Results from H. & C. Davis & Co. Ltd. were disappointing. The reason is believed to be the small size of the business compared with competitors. Efforts are being made to increase turnover, possibly by joining forces with some other company.

★ The disposal of Westminster Construction Co. Ltd. is imminent Although this Company has a good potential, its performance has been erratic and there is need for further capital which is difficult to raise at the present time. Details of the sale are being circulated.

★ Following the major disposals, the Group should be in a very healthy position with a substantial reduction in Group overdraft. The Companies remaining in the Group are well managed and thriving. Shortly it is hoped to acquire more businesses in the engineering field.

ALLIED INDUSTRIAL SERVICES LIMITED

The Thirty-first Annual General Meeting of Allied Industrial Services Limited will be held on July 22nd at Bradford.

The following are extracts from the circulated Statement of the Chairman, **Mr Frank W. R. Douglas :**

Trading results for the year to March 31, 1965, show further progress, but they were by no means easy to achieve. We have had to absorb two wage increases during the year—and another claim is already in the pipeline—together with higher prices for petrol and the Import Surcharge for the latter half of the year. This year we shall have to accept the full impact of the above, and also higher National Insurance contributions.

We have spent some time and energy in investigating several overseas plants and works which we thought might prove solid foundations for expansion abroad. For various reasons we did not finalise negotiations, which perhaps is fortunate in view of the present Government's attitude to foreign investment.

The profit of the group for the year amounted to £1,948,641 before deducting taxation, an increase of £124,238 on the amount earned in the preceding year. After allowing for higher taxation and deducting minority interests the net profit of the group was £891,854 as compared with £886,598. We propose a final dividend of 16 per cent which, with the interim of 5½ per cent, makes a total of 21½ per cent for the year on the ordinary capital as increased by the scrip issue and compares with a rate of 20 per cent for the previous year adjusted so as to take account of the latter factor.

Since the commencement of our financial year, your Directors have taken steps to increase once again our manufacturing capacity.

Your Company has acquired an interest in Metlex Industries Limited, a company engaged in the manufacture of bathroom fittings. We believe this to be an ably managed and progressive little company, with good prospects.

We are taking all possible steps to keep our plants and works up to date and we hope to be able to give a reasonably good account of the Company's activities again next year.

LAMBERT BROTHERS LIMITED

BENEFICIAL REORGANISATION

The sixty-second Annual General Meeting of Lambert Brothers Limited was held on June 24th in London.

The following is a resume of the statement issued to the Shareholders by the Chairman, **Mr R. Ratcliff Steel.**

The Report and Accounts now before you cover the twelve months immediately following the reorganisation of our group at the end of 1963. The results I feel justify the steps we took at that time. Last year I gave warning that the capital repayment would reduce investment income. This has been so to some extent but handsome returns on trade investments, higher rates of interest and rather better conditions in shipping have enabled us to propose a final dividend of 17½ per cent compared with 15 per cent forecast in December last. We have also thought it prudent to write down to market value the British Government stocks.

Our depots in Egypt which were established when the Canal was opened in 1869 have been nationalised. This has been a disappointment to us who have for so long enjoyed close friendship with many people in that country.

GROUP ACTIVITIES

Lambert Brothers (Insurance) Limited maintains its position as one of the leading brokerage houses in the City of London. We are well equipped to deal with insurance propositions of any kind and anywhere. Marine and Non-Marine Underwriting is experiencing one of the lean periods which occur from time to time but we are gratified at the contributions made to this year's profits by our Underwriting interests.

The results of The London and Overseas Insurance Co. Ltd though below the peak of two years ago, have turned out well for the year now closed, i.e. 1962. We have no doubt that this Company is a very good investment.

The first year's working of Lambert Brothers (Shipping) Limited, now operating our shipping activities, has shown the advantage of reorganisation. The growth in world trade resulting in higher freight rates has enabled our Shipbrokers to increase their earnings. The Oil Department has done well while our Ships Agency offices in this country and overseas have maintained their reputation for efficient service.

Temple Steamship Company Limited have benefited from higher freights and there are indications that these levels should at least be maintained through 1965.

Austin & Pickersgill Limited have won shipbuilding orders in the face of the keenest competition which will keep them fully occupied during 1966 and well into the following year.

The Aviation Chartering and Travel Departments now operate under the name of Lambert Brothers (Aviation & Travel) Limited. The chartering section has expanded its activities particularly in the arranging of aircraft for inclusive tour operations. The travel department have increased their business in airline and steamship bookings and are well equipped to advise and arrange for clients' business trips and holidays in all parts of the world. The travel office in Newcastle-upon-Tyne continues to expand and is now supported by associated offices elsewhere in the area.

Our interest in the wine trade through investments in J. S. Woolley & Co. Ltd. and Carlton Wine Co. Ltd. have developed satisfactorily in spite of the additional duties laid on their imports by successive budgets. Changes in price structure are now all too frequent in the trade, but with importers generally faced with the same difficulties our companies manage to remain competitive.

The report and accounts were adopted.

AIRFIX INDUSTRIES LIMITED

GROUP'S CONTINUED EXPANSION

The Annual General Meeting of Airfix Industries Limited was held on June 30th in London, **Mr Ralph R. M. Ehrmann** (Chairman and Managing Director) presiding.

The following is an extract from his circulated statement.

The accounts for the year ended December 31, 1964, show that the Group has passed another milestone. Trading Profit at £1,149,601 has, for the first time, exceeded £1,000,000. This compares with £925,672 in 1963. Depreciation of Fixed Assets and Moulds has also increased to £335,632 (£248,389) and the Profit before tax rose to £776,476 (£632,995).

An Interim Dividend of 6½ per cent on the then capital of the Company was paid in October, 1964. Your Board is recommending a Final Dividend of 15 per cent to be paid on the capital of the Company as at December 31, 1964.

On October 2, 1964, we acquired the ordinary capital of Crayonne Limited, plastic moulders specialising in combs and other toiletries. On November 6, 1964, we acquired the Model Road Racing Company of Boscombe. This Company is a pioneer in the specialised field of slot racing. M.R.R.C. has greatly increased its business during the last year and shows every sign of continuing its progress in 1965.

In February of this year, we completed the purchase of the Lyndeau Group of Companies including Kingston Plastics. The Lyndeau Group are premium merchandise manufacturers and suppliers, offering a complete service including promotion of premium ideas, manufacture, handling and despatch of premium merchandise and every aspect of consumer service.

1964 saw an increase in the total turnover of the Airfix Group. Unfortunately, not all the increased turnover was reflected in profits. Increasing costs create a continual pressure on our profit margins.

The new Declon subsidiary fulfilled all the hopes which had been set on it in 1964.

The Airfix Corporation of America has continued to develop and seems to be well on the way to establishing a secure place for itself on the American market.

Sales in the first months of this year have improved in nearly all sections of the business and once again we find our production facilities pressed to the utmost in an effort to cope with the rise in orders.

The report and accounts were adopted.

10 YEARS' GROWTH

OF

THE DENTAL MANUFACTURING COMPANY LIMITED

Year ended Dec. 31st	Trading Profit £	Net Profit £	Earned %	Paid %
1955	110,201	28,652	20.1	2¼
1956	116,493	26,405	16.5	3
1957	96,203	18,871	12.3	3
1958	110,608	33,956	20.8	4½
1959	286,174	104,651	44.7	8¼
1960	468,372	180,943	37.7	8½
1961	671,103	281,813	40.8	13⅓
1962	750,811	262,127	38.9	13⅓
1963	1,100,170	398,138	49.6	16⅔
1964	1,244,321	434,435	37.5	20

*Dividend rates adjusted for bonus issues

Chairman

FRANK HAWTIN

reports:

Business continues to be excellent in all departments, and particularly brisk in the branches of engineering wherein the major interests lie. Thus everything points to another milestone of progress and profits being reached.

FRANCE-OBLIGATIONS

(Investment Company, specialising entirely in French fixed-interest and indexed securities)

The Annual General Meeting of France-Obligations was held in Paris on June 14th, **Mr Georges PLESCOFF** presiding. The accounts for the financial year 1964 were adopted unanimously and the dividend was fixed at Frs. 159.50 per Frs. 2,500 share.

The following are details of the Chairman's address:

"Your Company has now been in being for five years. The interest rate of French bonds, which had never before known such stability, showed only slight fluctuations during the period. This favourable position has enabled us to offer an attractive security to such individual and institutional investors anxious to invest part of their capital in fixed-yield securities. Shareholders of France-Obligations have the satisfaction of seeing that there has been no drop in the capital value of their investment as against last year, and that the dividend we propose to you for distribution is 4.2 per cent up on that of the preceding year. Bearing in mind the pro rata dividend included in the share price, the present yield amounts to 4.9 per cent, or to 5.6 per cent if the tax refund is added. The dividend growth was achieved as a result of arbitrage operations aimed at acquiring the industrial loan stocks offering the best yield at negligible risk.

Moreover we have adjusted the structure of our portfolio of rents and indexed securities. This category of securities implies in effect a particularly selective policy on the part of the prudent investor. Whilst maintaining our purchases when prices remained advantageous, we reduced our holdings in certain sectors when prospects seemed less favourable. In spite of the gradual disappearance of indexed securities from the market, we still hold 37 per cent of our assets in securities of this kind, where the low yield is compensated by the advantage of ensuring the preservation of our shareholders' capital in the most pessimistic circumstances imaginable. We finally take an interest in convertible bonds whenever prices do not deviate too much from the redemption price. This sector, which has grown by Frs. 4m in the space of one year, now represents a market value of Frs. 7m.

As we indicated last year, a certain number of measures have been taken towards developing the issue of bonds. We regret having been unable to secure more than exemption from the yield-tax for individual investors, to a total of Frs. 500 p.a. of French non-indexed fixed-yield transferable securities, or of that part of the dividends of our Company which come within that definition. The very idea of fiscal clarity should in our view lead to our shareholders being treated as if they held these bonds directly."

Comparative Statistics (Frs.)	1961	1962	1963	1964
Dividends and interest, less overheads	28,558,007	29,231,806	61,390,275	63,610,868
Profits on sales of securities	10,839,763	7,206,032	3,935,501	3,867,609
Plus-values on refunds, less minus-values	4,585,944	4,672,483	6,026,178	5,171,247
Total credit balance	43,984,314	41,110,321	71,351,954	72,949,724

SCRIBBANS-KEMP LIMITED

Annual General Meeting held on 30th June, 1965

- The profits of the Group before taxation have increased from £331,000 for 53 weeks to £1,157,000 for the 52 weeks to 3rd April 1965. Allowing for the difference of one week the profit increase is £882,000 for the period.
- The results reflect the benefit arising from the new management throughout the group. There are increased profits from the Bakery, Confectionery and Canadian companies; the loss making companies have been eliminated.
- The Balance Sheet at 3rd April 1965 shows a strong liquid position, and a further £500,000 is receivable in November from the sale of Kemps Biscuits.
- The dividend has been increased from 10% to 12½% per annum.

A copy of the Company's accounts may be had on application to the Secretary at Africa House, Kingsway, Holborn, W.C.2.

APPOINTMENTS (See also pages 84, 85 and 86)

University of Durham

Applications are invited for a LECTURESHIP IN MANAGEMENT STUDIES in the Business Research Unit from October 1, 1965, or as soon as possible thereafter. The post is particularly suitable for anyone wishing to develop management teaching since the successful applicant will be required to help organise and teach on short courses for managers on leave from industry. Preference will be given to candidates with qualifications and/or experience in operations research, marketing, or industrial sociology but candidates with qualifications in other relevant field are invited to apply. The salary range for the appointment will be £1,400 × £85 to £2,505 with F.S.S.U.

Applications (nine copies, one only from overseas candidates), together with the names of three referees, should be sent not later than July 31, 1965, to the Registrar and Secretary, Old Shire Hall, Durham, from whom further particulars may be obtained.

VACANCY FOR ECONOMIST MINISTRY OF FINANCE JAMAICA

Applications are invited from West Indians, preferably Jamaicans, for posts of Economist in the Ministry of Finance, Jamaica.

Salary: In the scale £1,550 × £50 – £1,750 a year. Point of entry will be determined on the basis of qualification and experience.

Qualifications: At least a Second Class Honours degree in Economics from a recognised university, with a knowledge of statistical sources and methods.

Preference will be given to a candidate with experience in the field of economic research or with a post-graduate research degree.

Duties: Economic research on the problems of the Jamaican economy and analysis and evaluation of specific problems and projects.

Motor Car Allowance: A commuted motor car allowance at the rate of £84 a year.

Passages: Free passages to Jamaica for the officer and his wife and children up to a total of five persons in all (children to be under the age of 18 years, unmarried and dependent on the officer). He will be required to sign an agreement to remain in the Civil Service for a minimum period of three years or to refund the full cost of transporting himself and family (including cost of transportation of baggage) to Jamaica.

Housing: Suitable housing at moderate rental will be provided.

The appointment will be on permanent pensionable terms.

Applications should be made in triplicate on the prescribed forms which are available at the Office of the Jamaica High Commission, 32 Beaton Street, London, W.1, and should be returned to that office with evidence of age and academic qualifications not later than JULY 31, 1965.

THE FEDERATION OF BRITISH INDUSTRIES invites applications from young men, preferably aged 25-30, for the post of Commercial Relations Assistant in its Overseas Directorate.

His principal duties will be to assist in advising FBI members and in shaping Federation policy on problems of international trade and finance; also the preparation of memoranda, articles and speeches on overseas economic questions affecting British industry.

Minimum qualifications are a first-class or good second-class honours degree with fluency in at least one European language. An industrial or commercial background, or experience of trade association work would be an advantage. More important are a lively analytical and creative mind, the ability to reduce complex problems to their essentials and to draft quickly and lucidly.

The post is pensionable. Initial salary will depend on qualifications but is unlikely to be less than £1,500. Applications to the Overseas Director, FBI, 21 Tothill Street, London, S.W.1, by July 10, 1965

The Federation of British Industries

invites applications from men aged 26-35 for the post of Assistant in the East European and Middle East Department of the Overseas Directorate. He must have an interest and preferably experience in the promotion of British industrial exports. Fluency in Arabic or French or German is desirable. Salary dependent on experience and qualifications but not less than £1,300. Contributory pension scheme. Replies to Overseas Director, FBI, 21 Tothill Street, London, S.W.1.

O & M

For further appointments see pages 83, 85 and 86

The Company, engaged in Iron Ore mining in Sierra Leone, is expanding and wishes to combine O & M activities with its Internal Audit requirements.

Applications are invited from men of good personality for appointment as head of the Internal Audit Department in SIERRA LEONE.

The following are the minimum requirements:—

- C.A. or A.C.C.A. qualification and wide auditing experience.
- Knowledge and experience of O & M techniques.
- Capacity to conduct wide-ranging reviews and to report clearly.
- Enthusiasm and ability to gain co-operation from all staff
- Willingness to accept responsibility.

Commencing salary £2,750 per annum plus Minimum guaranteed bonus. Marriage and child allowance, return passages for employee and family, initial kit allowance, free furnished accommodation and free medical attention. 15 month tours followed by liberal leave in the U.K. on full salary. Contributory Pension Scheme with retirement at age 55. Life Assurance and Dependants' Income Schemes.

Applicants should write giving full details of experience, stating age, married or single, to **SIERRA LEONE DEVELOPMENT COMPANY LIMITED, Dept. IA3, City Gate House, Finsbury Square, London, E.C.2.**

ECONOMIC INTELLIGENCE

A CLEARING BANK has vacancies in its Economic Intelligence Department for:—

1. An Economics graduate, aged 24–27.
   Statistical ability and experience are essential.
2. Economics graduates aged 21–22.

The Department handles a wide range of British and foreign economic problems.

Salary according to age and experience, London allowance, non contributory pension, advantageous house-purchase scheme

Applications in confidence to Box No 5N 465 c/o Mathers & Streets, 110, Old Broad Street, London, E.C.2.

DEPARTMENT OF LABOUR
Research Division
PROVINCE OF NOVA SCOTIA
Requires the services of a
MANPOWER RESEARCH OFFICER

QUALIFICATIONS: Master's Degree or Minimum Bachelor's Degree with equivalent experience in liberal arts. Minimum two years' experience in the field of statistics and Economic Research including field work.

DUTIES: Conduct surveys and studies relative to training requirements in industries of Nova Scotia; develop and carry out surveys and collect data on all phases of Manpower Training needs; analyse and evaluate information received and organise the data for regular publication; design schedules, establish checking procedures, and develop compilation and tabulation programmes.

SALARY: Commensurate with qualifications and experience.
Full Civil Service benefits.

Application Forms may be obtained from the Nova Scotia Civil Service Commission, P.O. Box 943, Dennis Building, Halifax, Nova Scotia, Canada.

June 21, 1965. A2058

BRITISH IRON AND STEEL FEDERATION

ASHORNE HILL
PRINCIPAL

Ashorne Hill, the Management College of the British Iron and Steel Federation, exists to serve the 8,000 men who manage the 260 companies which make up the British Steel Industry.

Since the present Principal is returning, after five years, to a University post, a vacancy exists for a man of high intelligence with a record of real achievement in a senior position in Industry or the academic world.

The College, situated between Warwick and Stratford-upon-Avon, has expanded rapidly in recent years. It provides short conferences for directors and top executives of steel companies, a series of three- and nine-week management courses for senior and departmental managers, a wide range of specialist seminars on the latest management techniques, and is undertaking a major programme of research into management studies. Its present Directing Staff of 15, drawn from Industry and the Universities, is of high quality, and plans for further expansion of the College are under consideration.

Applicants should have considerable knowledge of management theory and management techniques; a firm conviction of the importance of management education and management research; administrative ability; and the personal qualities to command the loyalty and enthusiasm of the Directing Staff and to earn the confidence and respect of senior management in the Industry.

This appointment is demanding and challenging, offering a salary of £4,500 with house and car, and also the opportunity to make a major contribution to management development in a vitally important sector of the British economy.

Detailed applications, in confidence, should be addressed within 15 days to:

E. W. Senior Esq, C.M.G., Director-General,
BRITISH IRON AND STEEL FEDERATION
Steel House, Tothill Street, London SW1

Northampton County Borough Education Committee

Northampton College of Technology
St George's Avenue, Northampton

Applications are invited for the appointment from September 1st or as soon as possible thereafter of an ASSISTANT LECTURER (Grade B) to teach ECONOMICS and COMMERCE at all levels. The ability to undertake classes in Business Calculations and/or Central and Local Government will be an advantage. Graduate qualifications and teaching experience are desirable for this post.

Salary (at present under review) in accordance with the Burnham Technical Scale £830 to £1,450 per annum, with additions for qualifications and training, an increments within the scale for approved experience.

Forms of application and further particulars may be obtained from the undersigned, to whom applications should be returned by July, 13th.

H. A. SKERRETT
Chief Education Officer

Borough Education Office,
"Springfield,"
Cliftonville,
NORTHAMPTON.

An established all-party body requires a full-time director to organise a public information programme in Britain, in connection with the Common Market. Should be aged 30-45 and prepared to travel. Experience of politics and knowledge of European affairs necessary. Good salary for right person. Interested persons should apply, enclosing brief curriculum vitae, to the Chairman, c/o Box No. 1946

City and County of Bristol Education Committee

College of Commerce
Unity Street, Bristol 1. Telephone 23016

Applications invited for following posts to commence September 1, 1965, or as soon as possible thereafter.

LECTURER IN LAW STUDIES for the Law School. Candidates should have a good honours degree and a professional qualification. Subjects: Constitutional Law and English Legal System.

SENIOR LECTURER IN COST AND FINANCIAL ACCOUNTING. For courses leading to Final Cost and Works Accountants and Final Chartered Accountancy Examinations.

Applicants must be qualified Accountants and it would be an advantage if they were members of professional bodies in both Cost and Financial Accounting. They should have had suitable practical experience.

LECTURER IN FINANCIAL ACCOUNTING with some interest in Management Accounting.

Applicants should be members of a Senior Accounting Body.

SALARY SCALES:
Senior Lecturer £1,895 – £2,115 p.a.
Lecturer £1,670 – £1,895 p.a.

Further details and application forms from The Registrar.

The University of Sussex

SCHOOL OF SOCIAL STUDIES

Applications are invited for the

N.A.L.G.O. Research Fellowship in Trade Union Studies

The Fellowship is concerned with contemporary Trade Union studies and is available for a minimum period of two years, or longer (up to five years) by agreement, from October 1, 1965 or as soon as possible thereafter. The salary will be in the range of £2,000-£2,750 per annum according to the qualifications and experience of the successful candidate, together with F.S.S.U. benefits. An allowance for research expenses will also be available. A limited amount of teaching will be required.

Further particulars may be obtained from the Assistant Registrar (Establishment), University of Sussex, Stanmer House, Brighton, to whom applications (two copies) should be sent as soon as possible and in any event not later than July 12, 1965.

BAHAMAS INTERNATIONAL TRUST COMPANY LIMITED

has a vacancy for an

ASSISTANT TRUST OFFICER in NASSAU

preferably not older than 33. Good opportunities for promotion. Write giving full particulars to

Box No. E1743
c/o Charles Barker & Sons Limited,
20 Cannon Street,
London, E.C.4.

University of Birmingham and College of Advanced Technology

(University of Aston in Birmingham designate)

Graduate Centre for Management Studies

The Centre proposes to appoint a Teaching Fellow in one of the following fields: Industrial Administration, Marketing, Accounting, Behavioural Sciences.

The appointment will be for two years at a salary of up to £1,750 per annum together with F.S.S.U. benefits if applicable, and the successful candidate will be enabled to devote a substantial part of his time to research in appropriate areas of management studies. Industrial experience is not essential but will be an advantage.

Forms of application may be obtained from the Secretary, Graduate Centre for Management Studies, 36 Wake Green Road, Moseley, Birmingham 13, and should be returned not later than 14 days after the appearance of this advertisement.

The University of Leeds

Assistant Secretary to the Appointments Board

Applications are invited from graduates for appointment as ASSISTANT SECRETARY to THE APPOINTMENTS BOARD from October 1, 1965, or from a later date to be arranged. Salary on the scale £1,400 x £85 – £1,505 (efficiency bar £2,165). Initial salary will be fixed between £1,400 and £2,165 according to qualifications and experience.

The person appointed will be responsible for advising students and graduates in arts and allied subjects about careers and helping them to obtain posts. The Board hopes to find a suitable candidate with a university degree in an arts or allied subject, with first-hand knowledge of at least one sphere of work in which Arts graduates are employed, and experience of selection and/or careers counselling will be an advantage. Applications (three copies), stating age, qualifications and experience, and naming three referees, should reach The Registrar, The University, Leeds 2 (from whom further particulars may be obtained) not later than Monday July 19th.

The Rio Tinto-Zinc Corporation Limited

6 ST JAMES'S SQUARE, S.W.1

Women Graduates

Applications are invited from women graduates, age 25-35, interested in research into commodity markets and other economic problems affecting a company with many overseas interests, for the post of ASSISTANT TO THE ECONOMIC ADVISER. Please write to the Personnel Manager at the above address, or telephone WHI 2399.

ECONOMIST. A spare-time assistant working at home is required by a well-known correspondence college for its degree courses. Candidates must have an English University degree and knowledge of modern teaching methods in economics. Write very briefly to Box 1941.

Inner London Education Authority

London College of Printing

RESEARCH ASSISTANT required in the Department of Administrative Subjects to assist with investigations into (a) economic concentration within the printing industry, and (b) the human implications of technological change.

Applicants should be graduates in one of the social sciences, and the selected candidate will be given opportunities to take part in the departmental teaching, and to undertake research work on his own account. Salary £750 x £25 – £800.

Further particulars and forms of application can be obtained from the Clerk to the Governors, Elephant and Castle, S.E.1.

The University of Manchester

The University has undertaken to set up a three year research project into HOME STUDY FOR DEGREES AND EQUIVALENT QUALIFICATIONS, and invites applications for the post of Senior Research Officer with the status either of Lecturer or Senior Lecturer, according to qualifications and experience. Applicants should be qualified and experienced in appropriate fields of research, e.g., education, psychology or sociology. Salary ranges per annum: Lecturer, £1,400 to £2,505; Senior Lecturer, £2,400 to £3,150. Membership of F.S.S.U. Duties to commence as soon as possible. Applications must be received not later than July 20, 1965 by the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained, on quoting reference 133/65/E.

SENIOR MARKET RESEARCH OFFICER

Business Intelligence Services Ltd. require a senior Market Research Officer to take ch of ch he d the terms of reference although his ability will determine the extent to which he will be given more responsibility.

B.I.S. Ltd. is concerned with industrial market research and has a total research staff of a dozen members. The quality of work is of the highest and ad surveys are presented in clear-cut business terms and prepared in a way which will be of use and assistance in increasing a client's business.

The man most likely to meet our requirements will be about 27 years of age with two or more years' experience in Industrial Market Research. The more directly he has worked for top management of an industrial company, the better. Starting salary will be around £1,750, but a degree or professional qualification will be required. Experience in paper, packaging, engineering, plastics or chemicals would be an advantage.

Please reply to: Philip Marsh, Personnel Director,
Business Intelligence Services Ltd.,
Mercury House, 103-119 Waterloo Road, London, S.E.1.

UNIVERSITY OF WAIKATO

Hamilton, New Zealand

SENIOR LECTURESHIPS AND LECTURESHIPS

The University of Waikato will begin next year its new co-ordinated courses in the School of Humanities and the School of Social Studies. It therefore wishes to appoint to a number of Senior Lectureships and Lectureships in the subjects listed below. Appointments will be made on the salary scale £1,300-£2,000-£2,500. In certain circumstances, appointments on the Junior Lectureship scale £1,000-£1,200 will be considered and applications for Junior Lectureships are therefore also invited in all subjects. Candidates for Junior Lectureships and Lectureships should possess as a minimum a good Honours Degree. All appointments will be offered from February 1, 1966.

ANTHROPOLOGY	PHILOSOPHY
ECONOMICS	ENGLISH
GEOGRAPHY	FRENCH
POLITICS	GERMAN
PSYCHOLOGY	HISTORY
HISTORY AND PHILOSOPHY OF SCIENCE	SOCIOLOGY
MATHEMATICS	STATISTICS

The University of Waikato is a new University established on January 1, 1964. It occupies a site of about 125 acres on the outskirts of Hamilton. A comprehensive plan for the full development of this site is now being completed, the first building has been occupied and another is in the advanced stages of planning. Halls of residence will be begun shortly.

The academic organisation of the University is based on Schools of Studies rather than on faculties and departments. The Schools of Humanities and Social Studies are the first Schools in the University. Undergraduate work is being carefully planned in full-time co-ordinated courses of study. The development of post-graduate work and research will be encouraged. Conditions of study leave are favourable.

Conditions of appointment are available from the Registrar of any University in New Zealand and from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in New Zealand and London, on *August 1, 1965.*

BANK OFFICERS

GET OUT OF THE RUT!

Career appointments overseas are available to bankers of 20 to 35 years of age. Applicants up to age 25 should be single men and have completed at least Part 1 of the Institute of Bankers' Examination. Marriage is not a bar to older men, but they should have completed (or be in process of completing) Part 2 of the Institute Examination. These are career appointments with excellent prospects. The younger age group commences service in West Africa with emoluments normally in the region of £1,300 p.a. Salaries of older men are higher and will be considered at interview.

* Free furnished quarters overseas.
* First-class non-contributory Pension Scheme and retirement at age 55.
* Eighteen-month tours with 108 days' leave between each tour. £100 kit allowance on appointment. Free medical attention overseas (though our health record is excellent). Free travel.

Interviews arranged in London.

Write, giving full particulars, to: The Secretary,
BANK OF WEST AFRICA LIMITED,
37 Gracechurch Street, London, E.C.3.

Buffer Stock Manager

The International Tin Council invites applications for the post of Buffer Stock Manager. The duties of the Manager are to maintain and operate the buffer stock (in tin metal or cash or both) in accordance with the provisions of the International Tin Agreement (an intergovernmental commodity agreement of which 21 countries are members). Salary for this post is £3,800 sterling per annum, rising to £4,190 per annum. Non-contributory pension scheme applies where appropriate. Applicants should have an understanding of the basic supply-demand factors in tin and experience of metal markets. Knowledge of investment practice is also desirable. The offices of the Council are in London.

Applications, with full details of career, should be received before 15 August, 1965, by the Secretary, The International Tin Council, Haymarket House, 28 Haymarket, London, S.W.1.

MATHEMATICAL STATISTICIAN

is required, at the Operational Efficiency Branch of the Board's London Headquarters, for statistical work that is largely of a creative nature.

This work involves developing methods for investigating a wide range of Engineering and Economic problems, also of planning and putting their solution into effect.

A degree in statistics or mathematics with statistics or equivalent, together with appropriate experience, is required. **Salary on a grade within the range £1,570 to £2,095 per annum (including allowances) with prospects of advancement to £2,220 per annum.**

Applications stating age, qualifications, experience, present position and salary, to N. Berryman, Personnel Officer (Headquarters), Central Electricity Generating Board, Sudbury House, 15 Newgate Street, London, E.C.1, by July 14, 1965. Quote Ref. E./214.

The London School of Economics and Political Science

Applications are invited for Lectureships or Assistant Lectureships in Economics, for appointment in October, 1965. Candidates should state their special fields of interest. Preference will be given for one of these posts to applicants showing special interest in the field of monetary economics. The salary scale for Lecturers is £1,400 x £85—£2,105; thereafter, subject to review, x £85—£2,505 a year, plus £60 a year London Allowance; and for Assistant Lecturers £1,050 x £75—£1,275 a year, plus £60 a year London Allowance; with superannuation benefits in both cases. In assessing the starting salary consideration will be given to age and experience.

Applications, with the names of three referees, should be received not later than July 19, 1965, by the Secretary of the Economics Department, London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom application forms and further particulars may be obtained.

University of Birmingham

FACULTY OF COMMERCE AND SOCIAL SCIENCE

Applications are invited for a post of LECTURER OR ASSISTANT LECTURER IN ECONOMICS, temporary or permanent.

The appointment will commence on October 1, 1965. The salary scales are for lecturers £1,400 x £85 to £2,105 x £85 to £2,505 and for assistant lecturers £1,050 x £75 to £1,275 plus F.S.S.U. benefits.

The main teaching duties of the lecturer will be either in the field of price theory or in that of monetary theory, and candidates should indicate the area of their main interests and qualifications.

Applications (three copies), naming three referees, should be sent by July 30, 1965, to the Assistant Registrar (Commerce and Social Science), The University of Birmingham, Birmingham 15, from whom further particulars may be obtained.

For further announcements see pages 83, 84 and 85

The University of Manchester

Departments of Adult Education and Extra-Mural Studies

Applications are invited for two research posts:

(i) *In the Department of Adult Education*

To carry out research into the teaching methods appropriate to students of different ages throughout the range of educational work with adults. The project will include a study of objectives in different sectors of adult education, of the influence of social and environmental factors and of the relevant psychological and physiological changes occurring at various stages of adult life.

(ii) *In the Department of Extra-Mural Studies*

To carry out research, related to action, into the forms and structures of adult education provision in the region. It is proposed to study two or three different areas in detail and to assess the relative roles of statutory and voluntary agencies in providing post-school education for their residents.

One appointment will be at a salary on the Lecturer's scale, the other on that of Assistant Lecturer. Applicants should have good Honours degrees in a relevant subject and research experience. The person appointed for project (ii) should have some practical experience of adult education. Salary ranges per annum: Lecturer, £1,400 to £2,505; Assistant Lecturer, £1,050 to £1,275; initial salary according to qualifications and experience. Membership of F.S.S.U. Applications must be received not later than July 31, 1965, by the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained, on quoting reference 141/65/K.

Statistics for Management

An unusual opportunity exists in BRISTOL for a practical mathematician to develop statistical and mathematical techniques in the production field within a large group of Packaging, Paper-Making and Engineering companies. Here he will help to prepare for the introduction of modern factory information systems, using statistical techniques in connection with electronic data processing, and will assist in educating management to understand and use mathematical data.

This is an important appointment which will be filled by a man aged about 30/35; he will be a graduate Mathematician or Statistician, or will hold a qualification of equal standing which has a high mathematical content. He must have responsible practical experience of applying mathematical techniques to production problems and of living with the results. This is not a back room job, but is for someone looking for a wide practical application and a future in management. The work, conditions and prospects are attractive.

Applications will be treated in strict confidence. Please write initially with brief details of all relevant particulars (including experience, qualifications, age and salary level), quoting reference EBE, to the Staff Manager, E S & A Robinson (Holdings) Limited, Bristol 1.

University College of Rhodesia and Nyasaland

Applications are invited for (a) Senior Lectureship, (b) Lectureship or (c) Assistant Lectureship in AGRICULTURAL ECONOMICS. Enquiries are also invited from persons who may be interested in secondment for a limited period. Salary scales: (a) £2,820–£3,480 p.a., (b) Grade I £2,350–£2,640 p.a., Grade II £1,740–£2,100 p.a., (c) £1,400–£1,825 p.a. Family passages and allowance for transport of effects on appointment. Installation grant of £100 for persons recruited from outside Africa. Travel assistance for appointee for triennial visits overseas and for appointee and family for six-yearly sabbatical leave and on retirement or resignation after five years' service. Superannuation and medical aid schemes. Unfurnished college accommodation at rent of 15 per cent of salary if desired. Detailed applications (six copies), naming three referees, by August 15, 1965, to Secretary, Inter-University Council for Higher Education Overseas, 33 Bedford Place, London, W.C.1, from whom full details may be obtained.

EDUCATION COURSES AND PERSONAL

M.SC.(ECON.) LOND., long teaching experience, offers private or group tuition (as well as correspondence courses) in theoretical and applied economics for Part I and II of B.Sc.(Econ.) Degree. Also all compulsory subjects.—Box 1903.

Staffordshire Education Committee

The Staffordshire College of Commerce, Wednesbury

Principal: H. Harman, B.Com. Telephone: Wed 1831/3

One-Year Course
An Introduction to Business and Management Studies

for young men seeking a business career, is available at this College. The next course starts in September. Boys of good education who want pre-employment training are advised to obtain further particulars from the.

Registrar,
The Staffordshire College of Commerce,
Wood Green,
Wednesbury, Staffs

COMPUTER PROGRAMMING.—Train for a well paid post in this expanding field through ICS. For details of new home-study courses (Inc IBM 1401) write ICS (Dept. 424), Parkgate Road, London, S.W.11.

SECRETARIAL TRAINING for Women especially university graduates and older students, 6-month and intensive 14-week courses. Write Principal, Davies's, 168 Holland Park Avenue, W.11. PARK 4064.

TOP PEOPLE'S SECRETARIES are well placed generally by Stella Fisher Bureau in the Strand.

Home Study Courses
B.Sc. (Econ.) LL.B.

and other external degrees of the University of London. Also Accountancy, Secretaryship, Law, Costing, Banking, Insurance, Marketing, G.C.E., and many (non-exam.) courses in business subjects including the new Stockbrokers and Stockjobbers course.

Write today for details or advice, stating subjects in which interested, to

Metropolitan College

(Dept G9/2), St Albans,
or call at 30 Queen Victoria Street,
London, E.C.4 City 6874.
(Founded 1910).

NOTICES

Committee of Enquiry into the Relationship of the Pharmaceutical Industry with the National Health Service

The Committee of Enquiry into the relationship of the Pharmaceutical Industry with the National Health Service under the Chairmanship of Lord Sainsbury announces that it is now prepared to receive written evidence from individuals as well as from organisations interested in its enquiry.

The Committee's terms of reference are as follows:

"To examine the relationship of the pharmaceutical industry in Great Britain with the National Health Service, having regard to the structure of the industry, to the commercial policies of the firms comprising it, to pricing and sales promotion practices, to the effects of patents and to the relevance and value of research, and to make recommendations."

Memoranda of evidence should be sent direct to the Secretary of the Committee, Mr T. E. Dutton, 14 Russell Square, London, W.C.1.

Evidence will be treated as confidential if it is so requested.

It would help the Committee if memoranda could be arranged so that as far as possible, matters are dealt with separately under the appropriate sections of the terms of reference (i.e. structure of the industry; commercial policies; patents; research, etc.)

Although the Committee may invite persons and organisations to give oral evidence in support of their memoranda, it cannot undertake to hear oral evidence from all who submit memoranda.

Hudson's Bay Oil and Gas Company Limited

Mr L. J. Richards, Calgary, has been elected President of Hudson's Bay Oil and Gas Company Limited, it was announced following a meeting of the Company Board of Directors on June 29th. Formerly Executive Vice-President of Hudson's Bay Oil and Gas Company, he succeeds W. E. Glenn, who has resigned as President and Director to become Vice-President of Continental Oil Company with headquarters in New York. Mr. Glenn, President since 1962, will be co-ordinator of worldwide exploration and production activities for Continental. It was announced at the same time that Mr. R. R. L. Adams, Fort Worth, Texas, Assistant Regional General Manager, Southern Region for Continental, has been elected Executive Vice-President and a Director of Hudson's Bay Oil and Gas Company. A graduate of Oklahoma State University, where he majored in civil engineering, Mr. Richards serviced with Continental Oil Company 11 years before joining Hudson's Bay Oil and Gas Company in 1948. He held various positions in the exploration departments of both companies and became Assistant General Manager of Hudson's Bay Oil and Gas Company in 1953. He was elected Administrative Vice-President in 1954 and Executive Vice-President in 1962. Mr. Adams received his Bachelor of Science degree in petroleum engineering from Texas Agricultural and Mechanical College and joined Continental in 1946. He served in key engineering and management positions in the Company's production department in Texas before becoming manager of organisation planning and management development for Continental. He was in charge of Continental's California operations before being transferred to Fort Worth as Assistant Regional General Manager.

STEADY...

STEADY...

Their savings steady and ready
—4¾% System Saving Shares

With these new System Saving Shares you can build up capital quickly and at the same time earn the especially high rate of 4¾% interest on your money. The Temperance have an account to suit *your* needs - start saving today. Write for full particulars Ref. R6.

TEMPERANCE
PERMANENT BUILDING SOCIETY
Member of the Building Societies Association
223-227·REGENT ST·LONDON·W1·REGent7282

Cambio + Valorenbank Zurich

Phone 25.08.33 Telex 52.642

Transmitting Agent of

Marusan Securities Co Ltd Tokyo

TOKYO MARKET LETTER ON REQUEST

BETTER GRAPES FOR VINTAGE

Only connoisseurs can tell the vintage of wines, but when it comes to banking services, people unanimously agree that the Sanwa Bank's are the most dependable. And the world-wide network of branches and correspondents of your Sanwa Bank are always ready to serve your multiple banking requirements.

SANWA BANK

HEAD OFFICE: OSAKA, JAPAN
196 BRANCHES IN JAPAN

Overseas Offices:
New York Agency: 1 Chase Manhattan Plaza, New York, N.Y., U.S.A.
San Francisco Branch: 465 California St., San Francisco, California, U.S.A.
London Branch. Gerrard House, 31-45 Gresham St., London, E.C.2, England
Hong Kong Branch: 259-265, Des Voeux Road, Central, Hong Kong

The
HALIFAX
for strength
and security

ASSETS £792,000,000 RESERVES £29,320,000
Shares and Deposits in the Society are Trustee Investments

HALIFAX
BUILDING SOCIETY
Member of the Building Societies Association

Head Office: Halifax, Yorkshire · *London Offices:* 51 Strand, W.C.2
9 Holles Street, Cavendish Square, W.1 · 62 Moorgate, E.C.2
136 Kensington High Street, W.8

Martins Bank Limited

You may wish to make a study of the regulations, and special opportunities and risks involved in overseas trade. A copy of our publication 'The World is Your Market' will help you. It is full of information about such things as exchange control, shipping documents, credit and insurance, and any branch will be glad to give you a copy whether you are a customer or not. Expert advice on world trading is available to our branches through the Bank's Overseas Branches in London, Liverpool and Manchester and the Information Department at Head Office.

Exporting made easier

Martins Bank

STOCK PRICES AND YIELDS

LONDON STOCK EXCHANGE INDICES

1965	The Economist-Extel Indicator (1953=100) Noon	Close	Yield %	Financial Times (1935=100) Ord. Index	Yield %	FT-Actuaries Incides (April 10, 1962=100) 500 Shares	Yield %	2½% Consols Yield	Bargains Marked
June 23	374·2	373·0	5·73	327·1	5·93	102·66	5·78	6·66	7,977
„ 24	371·3	371·8	5·75	325·9	5·95	102·38	5·79	6·66	8,167
„ 25	369·5	369·2	5·79	323·3	6·00	101·76	5·83	6·66	8,197
„ 28	368·1	366·5	5·83	321·8	6·03	101·02	5·87	6·66	9,884
„ 29	364·0	363·9	5·88	320·0	6·09	100·45	5·91	6·66	9,221
„ 30	365·5	364·3	5·87	319·9	6·09	100·39	5·91	6·66	8,154
	High, 405·2 (May 14); Low, 363 9 (June 29)			High, 359·1 (May 3); Low, 319·9 (June 30)		High, 111·39 (February 18); Low, 100·39 (June 30)			

BRITISH FUNDS DOMINION AND CORPORATION STOCKS

Prices, 1965 High	Low	British Funds Dominion and Corporation Stocks	Price, June 23, 1965	Price, June 30, 1965	Net Red. Yield, June 30, 1965§ £ s. d.	Gross Red. Yield, June 30, 1965 £ s. d.
99 11/16	97 11/16	Savings Bonds 3%........1955–65	99.12.8	99.13.9	3 4 11	5 10 6l
92 15/16	90⅞	Savings Bonds 2½%......1964–67	92 27/32	92⅞	4 7 10	6 13 10l
84 9/16	82⅞	Savings Bonds 3%........1960–70	84⅛	84⅛	4 9 11	6 17 5l
79 9/16	76¾	British Electric 3%.......1968–73	78¼	78¼	4 8 6	6 14 4l
75	72½	Savings Bonds 3%.........1965–75	73	73	4 10 9	6 17 4l
73¾	70¼	British Electric 3½%.....1976–79	70¾	70¾	4 8 0	6 14 6l
61¼	56½	British Transport 3%.....1978–88	56⅞*	56⅞	4 9 0	6 14 1l
92	88¼	Funding 4%..............1960–90	91⅛	91⅛	3 10 1	5 5 9l
58⅞	53½	British Gas 3%...........1990–95	53⅝	53⅝	4 6 8	6 12 6l
88½	82½	Treasury 5½%...........2008–12	83¼	83¼	4 0 9	6 15 9l
55 5/16	51⅓	War Loan 3½%........after 1952	51⅞	51⅞	3 19 9	6 16 1f
40 3/16	37	Consols 2½%................	37½*	37½*	3 18 4	6 13 3f
87½	85⅝	Australia 3¼%............1965–69	87⅜	87⅜	...	7 0 6l
89¾	87¼	Birmingham 4¼%.........1967–70	87½	87½	...	7 3 0l
104¼	99½	LCC 6¾%....................1974	101	101	...	6 14 4
98¼	94½	Australia 6%.............1974–76	95¾	95¾	...	6 13 6l
102⅛	98¾	Bristol 6½%..............1975–77	100¼	100¼	...	6 14 0l
98¾	94¾	New Zealand 6%.........1976–80	96	96	...	6 12 0l
83	80½	Northern Rhodesia 6%...1978–81	80½*	80½	...	8 0 6p
103⅝	99⅛	LCC 6¾%..................1988–90	99⅜*	99⅜	...	6 16 2l
55½	54	Southern Rhodesia 4½%..1987–92	55¼	55¼	...	9 0 0l
45¾	43	LCC 3%...............after 1920	43½	43½	...	6 18 0f

ORDINARY STOCKS

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	Ordinary Stocks	Price, Apr. 6, 1965	Price, June 23, 1965	Price, June 30, 1965	Yield, June 30, 1965 % **	Cover
			BANKS, DISCOUNT & HP					
62/–	53/3	6½b	Barclays...............£1	56/–	57/9	58/6	3·9	...
47/9	39/3	5½b	Lloyds.................£1	41/6	43/–	42/6	4·4	...
18/4½	16/–	8 b	Martins...............5/–	17/7½	18/1½	17/7½	4·3	...
59/–	50/9	6 b	Midland...............£1	51/6	52/3	51/6	4·7	...
72/3	62/6	8½b	Nat. Provincial........£1	66/6	68/3	67/6	4·7	...
61/9	47/6	7½b	Westminster 'B'.......£1	54/9	56/–	55/9	4·7	...
48/–	39/3	8 b	Australia & N. Z. £1	44/6	41/9	41/–	5·9	...
37/3	29/6	6 b	BOLSA.................£1	33/3	30/–	29/6	6·4	...
£25 5/16	£22¼	$2 20c	Bank of Montreal. . $10	£23 11/16	£23⅛	£22¼	3·3	...
55/3	43/3	5‡‡a	Bank of New S. Wales.£1	48/3	44/3	43/3	3·7	...
39/9	37/–	5½a	Barclays DCO..........£1	39/3	39/–	38/9	5·7	...
47/3	41/6	7½b	Chartered.............£1	46/6‖	41/6	42/8	7 1	...
£12⅛	£8⅜	6/6b	Hongk'g. & Shang. ..$25	£9⅛	£8½	£8⅝	5 2	...
30/8¼	24/6	5 a	Nat. Com. Bk. Scot..10/–	27/6	26/3	25/6	4·7	...
£30⅜	£26½	$2·60c	Royal Bk. Canada....$10	£28¾	£27⅜	£26⅞	3·2	...
60/–	55/3	10 b	Standard Bank.........£1	57/9	57/–	55/9	6·3	...
29/7½	23/9	16½b	Hambros..............5/–	27/–	24/3	23/9	5·1	...
14/8¼	10/1½	4 a	Hill, Samuel..........5/–	12/7½	10/1½*	10/7½*	4·7	...
31/3	27/3	24 c	Montagu Trust.......5/–	31/6	28/3*	27/3*	4·4	...
59/–	48/–	6 h	Schroders.............£1	59/–	49/6	48/–	4·0	...
50/–	44/–	6¼b	Union Discount........£1	45/9	45/6	44/–	5·7	...
11/1½	9/7½	4 a	Bowmaker............5/–	10/–	10/3	9/7½	7·8	1·4
18/–	13/3	15 b	Lombard Banking....5/–	16/–	13/4½	13/3	7·5	...
15/3	13/9	7½a	Mercantile Credit....5/–	14/6	14/9	14/7½	6·8	1·7
17/6	15/3	9 a	United Domins. Tst...5/–	17/3	16/3	16/–	6·3	1·4
			BREWERIES, Etc.					
14/7½	12/–	9½b	Allied Breweries.....5/–	12/4½	12/–	12/–	6·0	1·5
18/4½	14/–	4 a	Bass, Mitchells & B...5/–	15/3	14/1½	14/–	5·7	1·8
15/1½	12/6	10 b	Charrington United...5/–	13/4½*	12/6	12/6	6·0	1·7
24/6	20/3	6½b	Distillers............10/–	22/9	21/–	20/3	5·7	1·8
22/–	18/6	8 a	Guinness.............5/–	20/3	18/9*	18/6*	5·7	1·7
17/9	13/5¼	11½b	Harveys..............5/–	15/3	13/8¼	13/6¾	6·1	1·7
65/6	56/9	8 b	Scottish & Newc. Brew.£1	60/6	58/3	56/9	4·6	1·9
17/7½	13/7½	4⅔a	Watney Mann.........5/–	14/9	14/–*	13/9*	5·8	1·9
16/7½	13/7½	11 a	Whitbread 'A'........5/–	14/–*	14/–	13/7½	5·9	1·8
			BUILDING, PAINT, Etc.					
59/7½	48/6	6½b	Associated Portland...£1	56/6	50/9	48/6	4·1	2·4
27/9	21/–	6½b	British Plaster B. ..10/–	25/9	22/9	21/–	5·2	1·7
26/3	20/1½	12 b	Richard Costain......5/–	24/6	20/7½	20/1½	5·0	3·4
10/9	8/–	8½b	Crittall Hope.........5/–	8/7½	8/–	8/–	7·5	1·9
16/3	12/6	17 b	International Paints..4/–	14/10½	13/–	13/3	7·5	1·7
25/6	20/9	15 b	London Brick........5/–	23/3	21/–	21/–	4·8	2·2
27/3	22/4½	10 b	Rugby Portland......5/–	26/1½	22/9	22/4½	3·4	3·1
			CHEMICAL					
24/6	21/–	16 b	Albright & Wilson....5/–	23/3	22/3	21/3	4·9	1·8
19/9	16/10½	11 b	Borax Defd............5/–	19/4½	17/7½	17/3	4·6	2·3
56/–	49/3	5 a	Fisons.................£1	53/6	51/3	50/–	4·8	1·7
49/1½	42/4½	7½b	I C I..................£1	45/3	45/6	45/1½	5·5	1·3
16/3	13/1½	10 b	Monsanto.............5/–	13/6	13/6	13/4½	5·1	1·3
			DRAPERY & STORES					
17/7½	14/6	8 b	Boots Pure Drug.....5/–	16/–	15/10½	15/4½	3·9	2·3
26/6	19/9	2 a	Montague Burton...10/–	25/6	20/9	20/–	4·0	1·6
38/3	30/9	6¼a	Debenhams..........10/–	30/9*	31/1½	30/10½	7·0	1·5
37/6¾	22/8¼	21¾b	Grattan Warehouses..5/–	35/6*	35/–	34/9	4·4	1·7
45/6	39/4½	10 c	GUS 'A'...............5/–	43/–	40/10½	39/4½	(4·0)	2·1
25/3	21/1½	18⅓b	House of Fraser......5/–	23/9	21/6*	21/1½*	7·7	1·3
13/4½	10/1½	10 b	Lewis's Invest. Tst....4/–	12/1½*	10/4½	10/1½	5·9	1·8
35/6	32/6	20 b	Marks & Spencer 'A'.5/–	34/6	34/10½	34/4½	4·2	1·4
30/6	27/1½	6 a	United Drapery.......5/–	28/3	27/3	27/4½	4·7	1·8
23/3	18/3	5½a	Woolworth...........5/–	19/7½	18/7½*	18/4½*	5·4	1·4
			OIL					
54/9	44/–	18⅓b	British Petroleum....£1	51/3*	51/3	50/3	7·9	2·6
51/9	44/3	18⅓b	Burmah Oil............£1	49/3	46/–	44/10½	9·8	1·1
£17 13/16	£14¾	18·3b	Royal Dutch.........20 fl.	£15⅞	£14 15/16	£15¼	3·8	2·1
36/4½	29/3	†18⅓b	Shell Transport......5/–	32/10½	30/–	29/9	8·6	2·0
30/3	22/6	...	Ultramar.............10/–	28/4½	23/3	22/6	...	...
			ELECTRICAL & RADIO					
53/3	38/–	8¼b	AEI....................£1	46/–	48/–	45/9	5·2	1·5
76/1½	64/4½	10 b	BICC...................£1	69/7½*	66/9	64/4½	(5·0)	2·0
12/7½	10/8¼	4·4 a	Crompton Parkinson.5/–	13/9¾	11/6‖	10/8¼‖	4·6	2·2
75/–	64/6	10 a	Decca.................10/–	70/6	66/–	65/–	4·2	1·8
27/9	22/–	5 a	EMI...................10/–	26/9	24/–	22/–	5·7	2·3
18/6	12/3	6½b	Elliott-Automation...5/–	15/9	13/–	12/6	4·2	1·8
55/3	42/3	9 b	English Electric.......£1	47/7½	48/–	47/–	5·1	1·9
46/9	39/6	3 a	General Electric.......£1	39/10½	41/–	39/9	4·3	2 3
63/9	44/–	8⅓b	C. A. Parsons.........£1	53/9	57/9	55/9	4·5	1·2
132/1½	101/3	10 b	Philips Lamp Works.10 fl.	128/6	107/–	111/3	2·9	2·3
38/7½	29/7½	7 a	Plessey...............10/–	34/4½	30/4½	29/7½	4·1	2·5
18/7½	12/9	20 c	Pye (Cambridge).....5/–	16/–	13/–	12/10½	7·8	2·0
42/3	36/6	20 a	Radio Rentals........5/–	40/7½	37/3	35/6	5·6	2·1
61/3	44/–	7½b	A. Reyrolle............£1	50/–	54/3*	52/3	3·8	3·1
76/–	55/9	15 a	Thorn Electrical.....5/–	65/6	58/3	55/9	2·0	4·4
			ENGINEERING					
39/9	30/9	5½b	Babcock & Wilcox....£1	34/3	35/6	33/4½	6·0	1·4
40/6	33/–	4 a	John Brown...........£1	37/10½	36/9	67/–	6 1	1·3
9/–	7/–	8 b	Cammell Laird.......5/–	8/3¾	7/6	7/6	8 0	0 4
14/–	11/4½	10 b	Internat. Combust....5/–	27/3	12/6	12/6	6 0	1·2
26/3	20/4½	7½b	Swan Hunter..........£1	23/6	23/6	22/9	8·8	0·6
8/6¾	6/8¼	5¾b	John Thompson.......5/–	8/3¾	7/2¼	6/8¼	6·5	0·6
35/6	26/4½	†3¾a	Coventry Gauge.....10/–	32/–	27/1½	27/–	6·3	1·9
56/6	42/–	16 b	Alfred Herbert.........£1	53/1½	49/7½	48/4½	5·6	1·6
27/6	22/3	12½a	Acrow (Eng.) 'A'....5/–	26/6	23/4½	23/1½	(5·0)	1·6
25/6	18/–	17½b	Allied Ironfounders..5/–	24/3	18/6*	18/–*	6·9	2·0
23/9	19/9¾	17½b	Averys.................5/–	22/6	22/3	21/6	5·2	1·7
24/10½	18/3¾	5 a	BSA....................10/–	20/8¼*	21/7½	21/–	(5·7)	2·0
12/–	9/6	8 b	George Cohen.........5/–	10/–	10/6*	10/4½*	5·8	1·7
15/7½	11/7½	5 a	Davy-Ashmore........5/–	12/10½	14/3	13/3	4·2	...
56/3	45/9	9 b	Guest, Keen...........£1	48/–	51/–	48/6	5·8	2·0
19/6	13/–	12 b	Head Wrightson......5/–	19/–	13/6*	13/–*	6·2	1·3
58/3	52/3	7½b	Metal Box.............£1	55/1½	55/3*	52/3*	4·8	1·6
17/8¼	15/9	6 a	Ransome & Marles...5/–	16/4½	16/9	15/9	5·4	2·1
40/10½	35/10½	5 b	Renold Chains.........£1	38/9	37/4½	35/10½	5·3	1·8
72/9	58/9	7½a	Tube Investments.....£1	59/–*	60/3	59/9	5·0	1·9
28/3	21/–	7½b	Vickers................£1	23/6	21/10½	21/1½	9·5	0·5
48/6	38/6	9⅙b	Ward (Thos. W.).......£1	42/9	44/–	40/9	8·6	1·9
14/9	10/4½	7 a	Wellman Smith Owen 5/–	11/9	11/11¼*	11/–*	(6·8)	1·0
18/6	14/3	16 b	Woodall-Duckham...5/–	15/6	16/7½	16/4½	6·4	1·3
			FOOD & TOBACCO					
33/3	28/–	16 a	Allied Suppliers.....10/–	28/6	32/6	32/–	5·0	2·1
7/9	7/–	16 a	Assoc. British Foods..1/–	7/7½	7/3	7/3	3·9	2·0
40/–	33/–	8 b	Bovril..................£1	36/3	33/6	33/–	7·3	2·2
12/4½	10/6	12½a	Brooke Bond 'B'.....5/–	11/7½	10/10½	10/9	5·9	2·8
8/7½	7/3	7 a	Fitch Lovell............2/6	7/7½	7/5¼	7/4½	(4·7)	2·4
10/7½	8/10½	1⅔a	International Stores..5/–	9/3	9/10½	10/–	5·0	2·0
59/6	52/–	10 b	J. Lyons 'A'............£1	52/–‖	54/6*	52/3*	5·1	1·6
33/10½	28/–	5⅓a	Ranks Hovis..........10/–	29/9	28/7½*	28/–*	5·7	1·9
32/1½	26/6	7 b	Reckitt & Colman...10/–	28/3	27/–	27/–	8·2	2·2
15/9	12/10½	9½b	Spillers................5/–	15/4½	13/10½*	13/3	4·9	2·3

FOREIGN AND OVERSEAS STOCKS

FRANCE	June 23 Frcs.	June 30 Frcs.
Air Liquide...	577	591
Banque de Paris	306·5	300·5
Citroen......	147	152·5
C. F. Petrole..	183	183·5
Cie G. d'Elect.	488	490
Machines Bull.	97·5	95·8
Pechiney.....	186	184
Printemps....	201	203·5
Rhone-Poulenc	284·5	278
S.I.M.........	312	310
Saint-Gobain .	201	199·5
Usinor.......	101	98·5
Index....	*90·7*	*90·0*
High.....	*101·4*	*(31.3.65)*
Low......	*89·5*	*(16.6.65)*
Dec. 31, 1964=100.		

GERMANY	June 23 %	June 30 %
A.E.G.........	434	410
Bad'che. Anilin.	431½	424
Bayer.........	384½	383
Commerzbank.	390	373
Deutsche Bank.	397	390
Hoechst Farb..	481	473
Kundenkredit .	350	341
Loewenbrau....	1,100	1,060
Mannesmann ..	209½	209½
Siemens	480	469
Thyssen-Huette	185	177
Volkswagen ...	518	509
Herstatt Index	*92·41*	*90·83*
High.........	*105·22*	*(8.1.65)*
Low..........	*89·09*	*(29.6.65)*
Dec. 31, 1959=100.		

HOLLAND	June 23 %	June 30 %
A.K.U.	449¾	459¼
Amster.Rot.Bk.	Fl. 58	Fl. 60·8
Bijenkorf	593	595
Heinekens	449	455
Interunie (Fl.50)	Fl.184	Fl.181
K.N. Hoogovens	497	507
Kon. Zout-Ket.	865	860
Philips (Fl.25)..	Fl.121·5	Fl.128
Robeco (Fl.50).	Fl.217	Fl.215
Thomassen & D.	490	520
Valeurop......	Fl. 63·8	Fl. 62·4
Zwanenbg (Fl20)	Fl.177	Fl.179·5
Index	*321·9*	*325·1*
High......	*370·9*	*(2.3.65)*
Low.......	*320·2*	*(29.6.65)*
1953=100.		

ITALY	Lire	Lire
Ass. Generali .	87,300	82,500
Breda........	3,360	3,190
Edison	2,075	2,041
Fiat..........	2,006	1,910
Finsider......	850	828·5
La Centrale ..	9,700	9,501
Montecatini ..	1,452	1,424
Motta........	12,090	11,200
Olivetti......	1,705	1,678
Pirelli S.p.A...	2,915	2,835
Rinascente ...	328·5	315
Snia Viscosa ..	4,215	3,980
Index	*54·68*	*53·04*
High.....	*64·59*	*(18.3.65)*
Low......	*49·53*	*(14.1.65)*
Jan. 2, 1962=100.		

BELGIUM	Frcs.	Frcs.
Arbed........	4,760	4,720
Bque. Soc. Gen.	4,015	3,965
Ciment'lesBriq.	3,085	3,060
Cockerill-Oug.	1,796	1,772
Esperance Long	2,700	2,500
Hoboken	5,380	5,230
Innovation	4,000	3,920
Petrofina......	1,804	1,830
Photo Gevaert.	2,298	2,318
Soc. Generale .	15,525	15,500
Sofina	9,090	8,900
Un. Miniere 1/10	854	834
Index	*126·71*	*125·41*
High......	*135·46*	*(8.1.65)*
Low.......	*125·14*	*(29.6.65)*
Dec. 31, 1953=100.		

SWEDEN	Kr.	Kr.
Alfa Laval B....	368	360
Asea	532	515
Elektrolux	211	210
Ericsson B.Kr.50	236	228
Skand. Banken.	171	169
Sv. Cellulosa ..	213	214
Sv. Handelsbank	183	184
Tandstk. B.Kr.50	160	159
Index	*252·36*	*249·83*
High......	*260·72*	*(1.2.65)*
Low.......	*238·72*	*(23.4.65)*
Dec. 29, 1956=100.		

NORWAY	%	%
Bergens Priv'bk.	170	170
Borregaard....	171	170
Norsk Hydro..	238	230

* Ex dividend. † Tax free. § The net redemption yields allow for tax at 8s 3d in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Equivalent to 8·0 sterling. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) Ex all. (h) After Zambian tax. (l) To latest date. (n) Interim since reduced or passed. (p) Resulting from split of Federation of Rhodesia and Nyasaland Stock. Japanese prices supplied by Daiwa Securities, Tokyo. Canadian 65 Stock Industrial Index supplied by the Montreal Stock Exchange. ** Yields in brackets are on forecast dividends.

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, June 23, 1965	Price, June 30, 1965	Yield, June 30, 1965 %	Cover
35/3	28/9	2 a	Tate & Lyle £1	31/-	31/3	31/-	6·5	2·0
10/10½	8/4½	18 b	Tesco Stores 1/-	9/10½	10/6*	10/3*	(3·9)	2·3
13/10½	12/10½	5 a	Unigate 5/-	13/-	12/4½	12/10½	5·3	1·7
55/-	44/9	‡10¾b	Brit. Amer. Tobac 10/-	48/-	47/9	47/3	7·8	2·4
26/4½	21/-	14 b	Gallaher 10/-	22/9	23/6	23/-	8·0	2·1
57/3	47/-	14 b	Imperial Tobacco ... £1	49/3	52/3	51/-	7·8	1·6
			INSURANCE					
6 9	5¼	65 b	Britannic 5/-	5½	5 13/16	5 13/16	4·7	..
43/9	36/3	25 b	Commercial Union .. 5/-	42/3	42/3	41/9	5·4	...
5	4⅛	†40 c	Equity & Law Life . 5/-	4½	4⅝*	4⅝*	3·7	...
49/9	40/3	25 b	General Accident . 5/-	49/9	44/3	44/9	4·2	...
34/3	27/3	15 b	Guardian 5/-	29/9	32/3	31/3	4·3	...
9¾	8¼	50 b	Legal & General . 5/-	9	8½	8¼	3·0	..
121/3	97/6	13 b	Northern & Empl. . £1	121/3	110/-	107/6	4·5	...
49/3	37/-	†110 b	Pearl 5/-	10½	45/3	44/3	5·0	..
33/3	28/3	†47 9b	Prudential A 1/-	29/6	31/9	31/6	4·3	..
37/9	30/9	20 b	Royal 5/-	36/3*	35/9	35/9	4·9	...
74/9	62/3	11¼b	Royal Exchange . £1	73/3	66/9	66/3	5·7	...
			MOTORS & AIRCRAFT					
15/11½	12/4½	5 a	Birfield 5/-	15/-	12/4½	12/4½	4·0	1·9
15/11½	13/-	7½a	British Motor 5/-	14/8¼	13/3	13/-	7·7	1·7
33/11½	26/4½	15 c	Jaguar Cars 'A' . 5/-	30/-	29/-	28/6	2·6	6·8
9/2¼	6/7½	4 c	Rootes Motors 'A' 4/-	7/1½	6/8¼	6/7½	2·4	3·1
58/-	49/6	2½a	Leyland Motors . £1	53/6	59/0*	49/6*	4·4	2·3
18/-	14/6	8½b	Bristol Aeroplane 10/-	15/10½	15/7½	15/11½	8·9	2·0
35/3	27/10½	7 b	Hawker Siddeley . £1	29/10½	33/3	31/6	7·6	1·7
40/3	31/3¾	7½b	Rolls-Royce £1	35/10½	38/-	38/-	5·3	1·9
20/4½	16/6	11·95u	Dowty Group ... 10/-	17/10½	17/-	16/6	5·0	2·0
31/6	27/-	10 8b	Dunlop Rubber ... 10/-	29/4½	27/6	27/-	5·9	1·8
35/9	31/7½	2½a	Joseph Lucas ... £1	32/9*	32/3	31/7½	5·3	2·4
12/5¼	8/9	13 b	Pressed Steel ... 5/-	10/11¼	9/9	9/9	9·0	2·0
30/4½	24/6	5⅜b	Triplex Holdings . 10/-	24/10½	24/9¾	24/6	(5·1)	...
			PAPER & NEWSPAPERS					
46/6	39/-	20 b	Financial News 5/-	44/9	40/-	39/-	3·2	2·9
67/-	59/-	30 b	Financial Times 5/-	66/9	60/6	59/-	3·2	2·7
18/3	15/7½	14 b	Internat. Publishing . 5/-	15/9	16/6	16/3	6·2	1·8
31/6	23/-	16 b	News of the World . 5/-	27/3	23/9	23/3	6·5	1·7
56/6	51/-	8½b	W. H. Smith & Son 'A' . £1	53/-	53/6	51/-	4·9	2·0
21/9	17/9	18 b	Thomson Org'n . 5/-	20/3*	20/10½	19/4½	7·2	1·4
46/-	38/7½	8¾b	Bowater Paper £1	45/9	42/-	41/-	6·7	1·8
21/9	19/3	10 a	British Printing 5/-	19/3	20/6	20/3	5·6	1·8
30/-	24/-	17½c	Bunzl Pulp 5/-	27/9	26/9*	26/9*	3·3	4·3
57/6	47/-	12 b	Reed Paper £1	50/9	54/9	52/6	6·5	1·5
50/1½	45/-	10 b	Wiggins Teape £1	46/9	45/9	45/-	6·2	1·9
			STEEL					
42/3	25/10½	6 a	Colvilles £1	28/6	32/11½*	32/-*	10·0	1·4
29/-	23/4½	4 a	Dorman Long £1	25/3	27/-	27/-	10·4	1·2
31/-	19/-	2 a	Lancashire Steel ... £1	19/3	20/9	21/6	(n)	0·9
24/-	16/6	4 a	South Durham £1	18/-	19/-*	19/11½	12·5	1·3
28/6	17/7½	3¾a	Steel Co. of Wales ... £1	19/-	22/3*	23/-	8·7	...
36/3	30/-	5 a	Stewarts & Lloyds ... £1	32/3	32/4½*	32/7½*	10·7	1·6
35/3	27/3	6 a	John Summers £1	30/3	33/3*	33/-*	9·7	1·7
36/6	27/-	6 a	United Steel £1	29/3	29/6*	29/6*	10·2	1·1
			MISCELLANEOUS					
26/4½	23/7½	20 b	Assoc. British Picture 5/-	23/10½	24/10½	23/9	6·3	3·0
14/11¼	12/10½	12½b	Assoc. Television 'A' . 5/-	14/2¼	14/5¼	13/11¼	8·1	2·0
30/3	27/1½	6½b	Wm. Baird £1	29/1½	29/9	29/-	6·6	2·4
22/3	19/-	11 b	Beecham Group ... 5/-	19/10½	20/-	19/7½	5·1	1·7
19/3	16/9	†6⅔b	Bookers 10/-	19/-	17/6	16/9	10·2	2·1
44/-	39/11½	3½a	British Match £1	41/11½	41/-	40/-	5·4	1·9
10/3	8/7½	3 a	British Oxygen 5/-	9/1½	9/0¾*	8/9	5·7	1·6
12/9	9/4½	11 b	British Ropes 5/-	11/-	11/11½	10/9	6·5	1·8
11/6	9/4½	37½b	Butlin's 1/-	10/9	9/7½*	9/6*	5·8	1·2
31/9	24/9	10 b	De La Rue 10/-	27/6	25/7½	25/3	5·9	2·0
19/-	14/1½	12 c	Dragos 5/-	16/10½	14/3*	14/1½*	4·2	2·9
25/9	20/6	4 b	Gestetner 'A' 5/-	25/3	21/6	20/6	3·9	2·7

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, June 16, 1965	Price, June 30, 1965	Yield, June 30, 1965 %	
32/9	29/6	6 a	Glaxo 10/-	31/3*	30/6	30/6	4·5	2·3
46/9	38/9	3 a	Harrisons & Cr. Defd . £1	42/3*	44/6	44/6	6·7	2·0
48/4½	42/4½	45 b	Hoover 'A' 5/-	45/3	43/4½	42/4½	7·1	2·1
102/6	85/6	13 27b	Hudson's Bay £1	92/3	88/6	88/-	4·6	2·4
48/6	32/6	4¼a	ICT £1	44/3	34/11½	33/-	6·8	...
20/3	16/-	12 b	Mecca 'A' 5/-	17/-	17/1½	16/10½	6·8	1·0
35/-	28/-	12½c	National Canning . £1	29/1½	29/6	28/6	8·8	1·1
21/3	17/4½	3 a	Powell Duffryn . 10/-	19/4½	18/7½	17/4½	5·8	2·1
31/3	21/11½	8 a	Rank Organisation . 5/-	24/6	22/1½	21/1½	(5·0)	2·6
13/11½	11/7½	9½b	Schweppes 5/-	12/-	12/9	12/9	5·3	1·6
21/6	18/3	25 c	Sears 'A' 5/-	19/6¾*	20/5¼	19/11¼	6·3	1·6
18/-	15/2¼	11 2b	Steetley 5/-	20/1½	16/3	15/9	4·8	2·0
25/4½	21/9	18½b	Thomas Tilling . 4/-	23/6*	23/1½	22/6	5·1	1·9
43/7½	36/3¾	3¾a	Turner & Newall . £1	42/-	37/6*	36/9¾*	5·8	1·7
36/11½	30/4½	‡5⅝b	Unilever 5/-	31/9*	32/7½	31/9	3·9	3·0
9½	8¼	13 25h	Unilever NV ..... 12 fl.	8 7/16	8¾	9	2·8	3·0
11/7½	8/9	10 b	United Glass 5/-	11/1½	9/6	8/9	8·6	0·8
34/7½	25/-	†8¼a	United Molasses . 10/-	33/-	32/6 bid	32/6 bid	(4·6)	.
			MINES					
288/9	238/9	80 a	Anglo-American . 10/-	271/3*	286/3	288/9	4·2	1·8
20/9	17/-	...	Charter Cons 5/-	19/7½	17/9	18/1½	.	
101/3	86/6	11¼a	Consolid Gold Fields . £1	95/9*	94/3	95/9	6·3	2·2
146/3	130/-	20 b	General Mining £1	136/10½	140/-	141/3	5·0	2·5
116/3	103/11¼	120 h	Union Corporation . 2/6	108/9	110/3	110/-	3·6	3·0
143/1½	121/3	120 h	Free State Geduld . 5/-	128/9*	133/1½	136/3	7·0	1·3
123/9	101/10½	40 b	W. Driefontein . 10/-	113/9	120/7½	123/9	6·1	1·9
83/9	60/-	6¼a	Western Deep 'A' . £1	78/11½	76/3	78/11½	3·8	4·9
227/6	198/9	160 b	Western Holdings . 5/-	213/9*	217/6	221/10½	6·2	1·2
52/3	38/-	8½32a	Roan Selection Tst . £1	40/-	43/6	41/3	10·6h	1·2
13/7½	11/3	7½c	Tanganyika Cons ... 10/-	12/3	11/10½	12/3	6·1	1·2
63/6	54/3	40 a	Z Anglo-Amer. ... 10/-	57/9*	54/9	55/3	16·3h	1·2
165/7½	142/6	60 a	De Beers Defd. Reg 5/-	151/1½	161/10½	162/6	4·6	2·2
$183	$154	$2·75c	Internat. Nickel . n.p.v.	$167½	$169½	$164½	3·0	...
16/10½	14/3	32½b	London Tin 4/-	16/10½	14/6	14/6	11·0	...
29/8¼	24/4½	14¼b	RTZ 10/-	28/7½	25/9	24/4½	(7·8)	2·0
20/-	11/9	32½a	Tronoh 5/-	18/6	13/6	12/6	20·0	1·0
			SHIPPING					
44/-	20/-	2 a	Anglo Norness £1	34/3	24/3	20/3	7·4	4·0
19/3	16/9	8	Brit. & Com'wealth . 10/-	19/-	17/1½	16/9	7·2	1·4
17/0¾	13/9¾	5 c	Cunard £1	15/3¾	13/11¼	13/11¼	7·2	...
36/6	29/3	10 c	Furness Withy £1	30/-	31/-	30/9	6·5	...
32/6	24/6	7 b	P & O Defd. £1	27/4½	25/4½	25/3	7·9	0·6
20/6	11/3¾	Nil	Royal Mail £1	13/9¾	20/-	20/-	...	...
			TEXTILES					
12/11¼	9/11¼	9 b	English Sewing Cotton 5/-	10/5¼	10/3¾	10/0¾	7·5	1·8
22/9	18/10½	16⅔b	Courtaulds 5/-	19/-	19/3	19/-	6·6	1·7
66/3	50/-	6 a	West Riding Worsted . £1	54/6	50/-*	50/-*	7·2	1·7
21/10½	18/4½	2½a	Woolcombers £1	19/10½	20/7½	19/10½	10·1	1·1
12/11¼	10/2¼	6 a	Calico Printers 5/-	10/9¾	10/8¼	10/8¼	(7·5)	2·4
44/9	37/3¾	8¾b	Coats, Patons & B. ... £1	40/9	38/9¾	37/3¾	7·2	1·7
15/3¾	10/9	11½c	Viyella Int. 5/-	21/-*	11/7½	11/-	5·3	2·0
			TRUSTS & PROPERTY					
24/3	20/-	10½b	Alliance Trust 5/-	24/3	20/6	20/9	4·2	1·2
54/3	46/11½	37½b	BET 'A' Defd. 5/-	49/10½	48/4½*	46/11½*	6·8	1·7
18/6	14/9	7¼b	Cable & Wireless 5/-	18/6	15/3	15/-	4·5	1·3
17/9	13/5¼	10½b	Philip Hill 5/-	15/6	14/-	13/6	5·9	1·2
30/-	26/-	15½b	Industrial & General . 5/-	29/9	27/9	26/-	5·2	1·2
29/11½	23/10½	12½a	City Centre Props ... 5/-	27/7½	24/6	25/3	5·9	1·1
60/6	47/9	10 b	City Lond. Real Prop. . £1	53/6	57/6	57/-	5·6	1·1
18/3	15/-	5¾b	Land Securities 10/-	15/10½	16/9*	16/9*	4·6	1·1
28/6	23/7½	10 b	Lond. Cnty. Freehld. 10/-	24/9	27/4½*	27/7½*	6·6	1·0
			TEA & RUBBER					
49/-	40/6	‡22½b	Cons. Tea & Lands ... £1	49/-	42/6	42/9	19·9	1·5
25/3	16/-	†3 a	Jokai (Assam) £1	20/9	16/-	16/6	16·5	..
3/3¾	2/5¼	12½a	Highlands & Lowlands 2/-	3/0¾	2/7½	2/6¾	15·8	1·5
3/9	3/3	25 b	London Asiatic 2/-	3/7½	3/4½	3/4½	17·8	1·7

NEW YORK PRICES AND INDICES

	June 23 $	June 30 $		June 23 $	June 30 $
Atch. Topeka	30¾	31⅜	Gen. Electric	97⅜	95⅞
Can. Pacific	57	57	General Foods	79⅞	78⅞
Pennsylvania	38⅝	38½	General Motors	97	95⅝
Union Pacific	38	38¼	Goodyear	49⅝	50
Amer. Electric	42	42⅜	Gulf Oil	55⅜	54⅞
Am. Tel. & Tel.	67¼	67⅜	Heinz	43	41¼
Cons. Edison	44¼	44⅜	Int Bus. Mach.	457½	458
Int Tel. & Tel.	55¾	54⅜	Int Harvester	36⅛	36½
Western Union	39¾	39⅛	Inter. Nickel	84¾	83¾
Alcoa	73⅛	71¾	Inter. Paper	30⅝	30¼
Aluminium	27½	26⅞	Kennecott	103¾	101½
Amer. Can.	45½	45¼	Litton Inds.	87⅜	84¼
Am. Smelting	51	50¼	Monsanto	88	87½
Am. Viscose	90¼	89½	Nat. Distillers	30¾	30⅞
Anaconda	62	60⅞	Pan-American	28½	27⅝
Beth. Steel	35¾	35⅜	Procter Gamble	71⅜	72¼
Boeing	67	66⅞	Radio Corpn.	33⅞	34⅛
Celanese	81⅛	78¼	Sears Roebuck	67¾	68⅛
Chrysler	46⅞	46¼	Shell Oil	60	59⅞
Col. Palmolive	47⅜	47½	Socony-Mobil	86⅛	83⅛
Crown-Zeller	52¼	52¾	Stand. Oil Ind.	46¼	45⅝
Distillers Seag.	37	34⅜	Stand. Oil N.J.	78½	78¼
Douglas	38½	37⅞	Union Carbide	60¼	60½
Dow Chemical	70¼	70⅝	U.S. Steel	47⅜	48⅜
Du Pont	232	235½	West. Electric	48⅝	47⅞
East Kodak	78⅝	79¾	Woolworth	29¾	29¾
Ford Motor	52⅝	52⅝	Xerox	143⅞	141¼

Standard and Poor's Indices (1941–43=10).

1965	425 Industrials	Yield %	Govt. Bonds	Yield %
June 2	92·37	2·94	87·06	4·17
" 9	90·20	3·01	87·06	4·17
" 16	90·35	3·00	87·16	4·16
" 23	89·80	3·02	87·16	4·16
" 30	89·12	3·04	87·16	4·16

425 Industrials :—High, 95·79 (May 13). Low, 89·06 (Jan. 4).

Money Market Indicators

The London money market again shows little change. Treasury bill rate fell by $\frac{1}{16}$ per cent and the Bank has forced the discount houses to borrow at 6 per cent, an indication that it does not want to see rates lower. With official support three months sterling has strengthened and the cost of forward cover has fallen by $\frac{1}{32}$ per cent. Three months Euro-sterling fetched $\frac{3}{8}$ per cent less, but the Euro-dollar rate rose by $\frac{1}{8}$ per cent. Covered arbitrage margins in bills moved in London's favour, but Euro-dollar/local authority loan margins moved further in New York's favour.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91-Day Average Rate of Allotment s. d.	Allotted at Max. Rate* %	Tender Issue Outstanding
1964	91-Day				
June 24	230·0	360·6	92 11·95	52	3,000·0
1965					
Mar. 12	190·0	403·8	127 1·10	27	2,390·0
" 19	180·0	316·4	129 10·70	25	2,350·0
" 26	180·0	322·6	130 11·68	31	2,330·0
April 2	180·0	325·0	130 11·69	22	2,290·0
" 9	170·0	320·6	129 10·59	52	2,280·0
" 15	160·0	377·2	128 9·36	24	2,270·0
" 23	160·0	280·8	127 11·97	28	2,260·0
" 30	160·0	373·8	127 6·00	31	2,260·0
May 7	160·0	371·4	126 2·47	41	2,260·0
" 14	160·0	324·3	125 5·69	13	2,260·0
" 21	190·0	431·5	125 6·98	19	2,260·0
" 28	170·0	293·1	127 3·34	61	2,260·0
June 4	170·0	313·1	112 9·31	48	2,250·0
" 11	170·0	330·9	112 0·99	35	2,240·0
" 18	210·0	410·9	111 9·57	34	2,210·0
" 25	170·0	302·4	110 10·02	50	2,240·0

* On June 25th tenders for 91-day bills at £98 12s 4d. secured 50 per cent, higher tenders being allotted in full. The offer for this week was for £170 million 91-day bills.

KEY MONEY AND ARBITRAGE RATES

London — **June 30**

Bank rate (from 7%, 3/6/65) ..... %: 6

Deposit rates
7 days' notice:
Clearing banks 4
Discount houses ... 4
Local authorities ... $6\frac{3}{8}$
3 months' fixed:
Local authorities ... $6\frac{1}{4}$
Finance houses .... $6\frac{7}{8}$–7

Call money:
Clearing banks' minimum ..... $4\frac{3}{8}$
Day-to-day spread . $4\frac{3}{8}$–$5\frac{3}{8}$

US dollar exchange:
Spot rate ..... 2·79⅛–¼

Forward cover (3 months'):
Annual interest cost ..... $12\frac{3}{32}$–$12\frac{0}{32}$

Market discount rates (3 months'): %
Treasury bills ... $5\frac{17}{32}$
Bank bills ..... $5\frac{15}{16}$–6
Fine trade bills .. 7–$7\frac{1}{4}$

Euro-dollar deposits:
7 days' notice ... $4\frac{1}{4}$–$4\frac{3}{4}$
3 months' ..... $4\frac{3}{4}$–$5\frac{1}{4}$

Euro-sterling deposits (in Paris):
2 days' notice ... 6–$6\frac{1}{2}$
3 months' ..... $6\frac{3}{8}$–$6\frac{7}{8}$

Forward rate (3 months') .. $\frac{15}{16}$–$1\frac{3}{16}$c. pm

New York

Treasury bills:
June 23 ..... 3·79
June 30 ..... 3·78

Market paper:
Bank bills 4 25
Certs. of deposit. 4 30

Covered Arbitrage Margins

	In favour of Last week:	This week:
Treasury bills	N. York $\frac{3}{32}$	N. York $\frac{1}{32}$
Prime bank bills	N. York $\frac{5}{32}$	N. York $\frac{3}{32}$
Euro-dollar/UK local authority loans	N. York $\frac{1}{4}$	N. York $\frac{9}{32}$
Euro-dollars/Euro-sterling	London $\frac{1}{2}$	N. York $\frac{5}{32}$

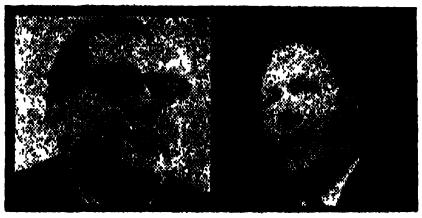
These covered arbitrage margins show the differentials in rates on the particular sterling and dollar assets, as adjusted for the cost of forward exchange cover, shown above.

THE ECONOMIST □ THIS WEEK

THE SIX

THE WAR FOR EUROPE

General de Gaulle is in a strong position in his war against the European community. Either the Five give in, or he escalates his diplomatic violence and breaks up the common market. A plausible outcome would be a return to Europe-wide free trade, perhaps led by the general himself. Britain must shut up and do nothing but prepare for the next round **pages 109 and 129.** But French farmers will have to be placated **page 164.**



NEXT TO SIR ALEC

So long as the Tory progressives hesitate to pick between Mr Maudling and Mr Heath, so long will they be saddled with Sir Alec--and could even find themselves outflanked by the right wing again in a leadership contest. The invidious choice **page 111.**

BLOOD BENEATH THE MOUNTAIN

Two entirely different mining systems were matched against each other in boring the road tunnel from France and Italy through Mont Blanc. Both encountered conditions more horrible than they had expected; by the time they met, two sets of experts had learned a lot more **page 156.**

WILL VIETNAM'S METAL HOLD?

As the monsoon battles hit Vietnam, South Vietnam's army is suffering, like Saigon's cathedral, from a form of metal fatigue. The Americans are resolute; the South Vietnamese need above all a responsible and stable government **page 130.**

BUSINESS BRIEF: COMMODITIES—POOR PRODUCERS GET POORER

These are black days for the worst-off primary producers of Africa, Latin America and Asia. Most of the tropical foodstuffs from which they earn their living are in hopeless surplus. The continued rapid growth of world industrial production seems to do nothing to help them. Ironically, the richer primary producers are doing quite well with meat, wool, cereals **page 149.**

FIGURING OUT STATE INDUSTRIES

Cutting £400 million off the coal industry's capital will not enable it to sell more coal: prices may still go up. But the Government has now to consider financial guidelines for other—more competitive—nationalised fuel industries **page 153.**

EGYPT'S FAR-FLUNG WORRIES

Egypt is worried about its rival, Saudi Arabia playing uncle to the *Trucial Coast* shaikhs; and not worried enough about its man in *Yemen* **pages 138-9.**

A CASE OF OVERCHARGING

Air fares in Europe are exorbitant. Governments should do something to bring them down **page 155.**

MR JOHNSON'S ACHILLES' HEEL

Recent attacks on Mr Johnson by professional critics should not be allowed to obscure his remarkable effectiveness as a President of the United States. But he is undoubtedly emotional and over-anxious for admiration **page 119.**

REPORT ON CANADA

A SURVEY BY THE ECONOMIST

REPORT ON CANADA

It still requires an act of faith to believe that out of Canada's vast and thinly populated provinces, divided by racial loyalties and overshadowed by a great neighbour to the south, real nationhood can grow. Our Contributing Editor, Roland Bird, surveys this rich, self-questioning confederation, now only two years from its hundredth birthday, and comes down on the side of the optimists **after page 148.**

SMITHS are at the heart of things

More often than you might think, SMITHS are at the heart of the news: for instance, on June 10th, 1965, SMITHS Autoland system made the world's first automatic touchdown of an aircraft with fare-paying passengers on board. This was the culmination of ten years' research and development, during which time 13,000 test automatic landings were made in many types of piston and jet aircraft, under all weather conditions. Our inset picture shows the Captain of the B.E.A. Trident that made the historic landing, with two young passengers who seem pleased to have landed on a page of history.

Another example: the winner of the Monte Carlo Rally, 1965, was a Mini-Cooper equipped with SMITHS instruments and a SMITHS car heater. For Minis alone, SMITHS have already provided B.M.C. with more than a million sets of instruments, millions of heaters, and millions of gallons of Bluecol anti-freeze.

People who think of SMITHS only as engineers may be surprised to hear that Dennis & Robinson Ltd, who design and make Manhattan 'Flushline' built-in kitchen furniture, are part of SMITHS.

Helping the kitchens of Britain, too, are Kelvin Hughes (a Division of SMITHS), who provided the 'Humber' fish-detector system and also the modern radar and other navigational aids for Britain's biggest trawler, the all-refrigerated, diesel-electric 'Northella'.

FOR OVERSEAS READERS. 25,000 people are deployed in 26 SMITHS factories where more than 3,500 different products are made. All over the world, more than a thousand distributors and agents handle the products of the British factories and those of SMITHS AUSTRALIA, SMITHS CANADA and Kelvin Hughes U.S.A.

SMITHS special talents lie in engineering development, in production engineering, and in combining production on any scale with excellent quality control.

SMITHS S. SMITH & SONS (ENGLAND) LTD

SECOND CLASS POSTAGE FOR *THE ECONOMIST* PAID AT NEW YORK, N.Y.
Published weekly every Saturday, fifty-two times a year in London, England.

LETTERS

Reforming Lawyers

SIR—The training now provided by the Bar Council, the Law Society, and various crammers grew up as the universities of this country were originally only providing teaching in ecclesiastical law. This, of course, is no longer so and it seems indeed curious that barristers and solicitors are now allowed to begin their careers without a university degree, unlike most other countries. If the right to teach and examine candidates were removed from the professions and returned to the universities, the general public would receive better trained lawyers. Lawyers themselves could receive a standard and cheaper legal education than that which is at present provided, and this should in due course provide legal assistance for the general public at a cost lower than that which is now available.—Yours faithfully,

RICHARD BRADSHAW

Great Missenden, Buckinghamshire

SIR—You suggest (June 26th) that joint education for solicitors and barristers leads inevitably to the question of fusion. In Scotland an overwhelming majority of members of both branches of the legal profession consists of university graduates. The law degree obtained at a Scottish university is accepted by the Law Society of Scotland and the Faculty of Advocates provided that it contains certain subjects which are required by them. It is not uncommon for the intending advocates and solicitors to take identical courses. The question of fusion is, however, not I think a burning one. On the other hand, the common educational background is no doubt invaluable in establishing a happy relationship between the two branches of the profession.—Yours faithfully,

H. McN. HENDERSON
Director of Studies,
Faculty of Law,
Edinburgh, 8 University of Edinburgh

Lib-Labbery

SIR—It is clear from Mr Christopher Layton's letter (July 3rd) that Mr Grimond's recent suggestion of a Lib-Lab pact connotes a serious and sustained intention of the Liberal party.

I would have thought that the fate of Liberals who attempt to join one of the other two parties was most clearly shown in the losing of all identity by the National Liberals.

While it is understandable that the leaders of the party, at least those in the House of Commons, may be tired of being in the wilderness, I, and others, can only regard the present tendency as an incipient, final demise of the Liberal party.

I have been a Liberal virtually all my life, and a Liberal parliamentary candidate, but of recent months my disquiet with the Liberal party has grown apace. The present tendency is the final straw and, in my view, an unfortunate plan for both the Liberal party and democracy in this country. I find I am left with no alternative but to resign, forthwith, all further connection with the Liberal party at the present time.—Yours faithfully,

London, W1 JOHN GLYN BARTON

Rhodesia

SIR,—Doubtless when you refer ("Squatters' Rights," June 26th) to the strangulation of the Rhodesian economy, you have by your standards a satisfying picture of Mr Smith and his farming friends lying gasping in the veld and confessing to one another how wrong they have been.

The strangulation which you apparently hope for would have rather more widespread effects. In 1962, out of the 258,000 agricultural employees on European farms in Rhodesia, 52 per cent of those employees came from other territories. In other words, work was being provided in agriculture alone for, say, 130,000 people who would have been unlikely to find jobs in Zambia, Mozambique or Malawi.

The average African employment in Malawi in 1963 for manufacturing was about 9,000, but in 1961 (the last year for which I have seen the figures) there were nearly 14,000 Malawians employed in manufacturing in Rhodesia. In the same year there were in all 273,000 non-Rhodesian Africans employed in this country. There is no reason to expect that there has been a significant change in any of these figures.—Yours faithfully,

Salisbury, Rhodesia R. D. WOOD

Selecting Administrators

SIR—The last paragraph of your article (July 3rd) contains a plea for the appointment of more graduates in "non-arts" subjects to the administrative class, and there can be few today who will dissent. In this connection it is interesting to note that whereas in the whole of the previous six years only nine scientists have entered the administrative class through Method II competitions, this year no less than eight of the successful candidates were science graduates. The number is still small compared with candidates from other subjects, but the increase is encouraging.—Yours faithfully,

J. C. SEDDON
Secretary and Commissioner,
London, W1 Civil Service Commission

Housing

SIR—The Merrett-Sykes approach to the problem of high interest rates payable by owner-occupiers rests on the fundamental misconception that relief from taxation can be given when taxation is not payable (or payable at a lower rate than the rate of relief). The proposal certainly involves a form of relief, but it is more charitable to refer to it as a subsidy. A logical extension of the proposal would be to have a graduated rate of "relief," so that the person not liable to tax could claim "relief" at surtax rates.

Professor Merrett does less than justice to the existing tax-paying owner occupier, by stating that when he legitimately claims tax relief on his mortgage interest he is obtaining a straight subsidy (i.e. of his own earnings). Surely owner occupation is as socially desirable as the profit making activities of some companies which can quite properly obtain tax relief on their debenture interest.

There is clearly a strong case for assisting the potential owner occupier, but any subsidy given should be clearly defined as such, and should become repayable in due course, when the owner relinquishes occupation.—Yours faithfully,

A. G. MITCHELL
London, SE9

Whatever Happened to Credit Control?

SIR—It is always an intoxicating experience to observe the Establishment creeping up on one from behind. When, some nine or ten years ago, Radcliffian pundits such as *The Banker* and yourself told us that the cash ratio was older hat than a straw boater and that only the liquidity ratio could henceforth be "with it," I recall that one or two of us emitted faint squeaks of protest, only to be greeted with the scornful laughter properly reserved for far-off academics.

My records show that I protested in your columns, in April 1956, that the "new orthodoxy" was ill-advised to pin its faith on the liquidity ratio, which experience had shown, I suggested, to be a distinctly slippery customer; I pleaded that sight should not be lost of the fact that credit policy still rested unambiguously on the cash ratio.

Now, having at long last discovered that the "new orthodoxy" is unworkable, you ask despairingly (June 19th): What can the Bank do, except write letters or abandon monetary policy altogether? Sir, allow me to try again (the answer is simple and straightforward): use a variable cash ratio.—Yours faithfully,

EDWARD NEVIN
University College of Wales, Aberystwyth

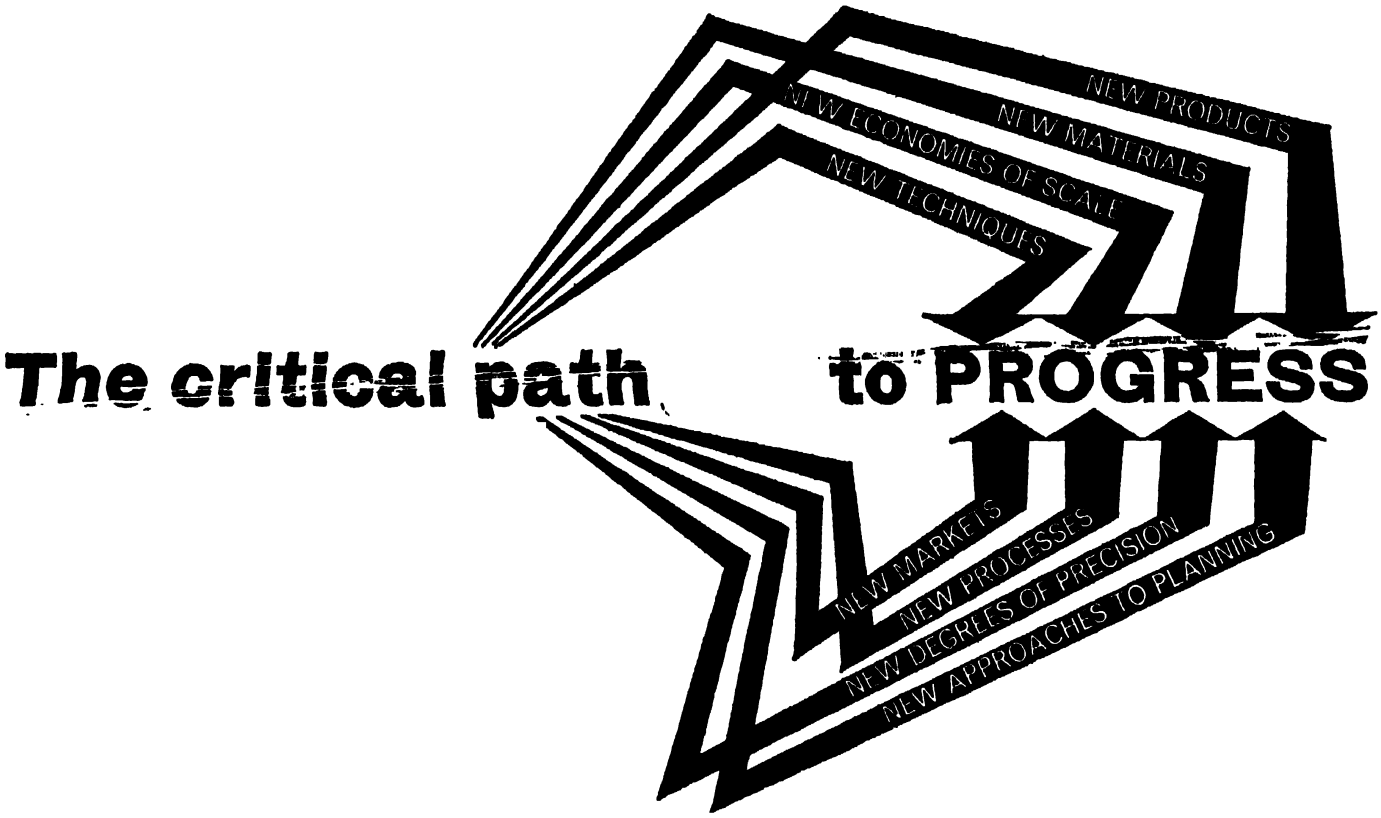
Norwich Roads

SIR—Your article of June 12th might give the impression that the proposals of Norwich City Council for the northern section of an Inner Link Road had been prepared and propounded without regard for either the historic attractiveness or the commercial prosperity of Magdalen Street.

Your correspondent refers to two suggestions of where an Inner Ring Road might be constructed instead of in the position which is proposed by the City Council and has already been embodied in the approved Town Map. One of these is a proposal, forcibly advanced by the Norwich Society for some 12 years, and illustrated but "in no

Simon looks to the future

The Chemical Industry



What next for the dynamic chemical industry? New products, of course, but also new routes to familiar ones by way of new and cheaper raw materials. As process know-how becomes more widespread, the hardest problem in working out the critical path to progress may be what to make, not how to make it. Sales will grow but profit margins will shrink; the chemical engineering contractor must therefore meet ever more exacting demands in economic plant performance. Simon Engineering combine awareness of international trends with energetic chemical process development and long-accumulated experience of the planning, design, erection and commissioning of major projects—a claim supported by more than forty million pounds of chemical engineering contracts now current in twenty countries.

Simon Engineering Ltd (SE)

STOCKPORT ENGLAND • and SIMON HOUSE DOVER STREET LONDON W1

sense put forward as a plan" in Professor Buchanan's academic study. This proposal, in the form put forward by the Norwich Society, would have allowed the use of Magdalen Street as a route between the Inner Link Road and the central area by traffic in both directions.

The other suggestion was put forward some five weeks before the public inquiry by consultants engaged by the Norwich Society. One of the principal merits advanced in its favour by the society was that it enabled all traffic to be excluded from Magdalen Street south of the Inner Link Road. This would involve the destruction of one of the few remaining towers of the old city walls, of the whole or substantial parts of three factories and of a supermarket.

As to the effect upon Magdalen Street, your correspondent predicts that the exclusion of vehicles from the street would increase the prosperity of its shops. The contrary view is that a street some 600 yards long and leading out of the central area would not be commercially successful as a pedestrian shopping area. The council believe bus traffic and some local traffic to be essential to its life but that their proposals will exclude unnecessary vehicles.

The simple fact is that something must be done, and must be done urgently, to provide cross-town traffic with a quick practicable route round the city centre, and one from which access to the main shopping area is convenient for those who want it. The council's carefully considered proposals would achieve this and leave Magdalen Street with every prospect of continued prosperity.—Yours faithfully,

S. W. W. CLAPHAM
Chairman of the Highways Committee,
Norwich Norwich City Council

Republicans

SIR—Your biased and vicious account of the current problems of the Republican Party in the United States (June 5th) shows a distinct lack of understanding of some basic elements of American politics.

Whether you can imagine it or not there should be at least two views to every major issue. American political conservatism can, does and will supply a constructive alternative to the present liberal trend in American government which has ruled for the past thirty-two years. Through great men such as Barry Goldwater, John Tower, Ronald Reagan, Richard Roudebush, and others, conservatism will eventually triumph in America.

While you are quite correct in that Dean Burch was replaced by a member of the "mainstream" do not, however, be surprised in 1968 to find another conservative nominated for the presidency on the Republican ticket.—Yours faithfully, FRED T. SWIFT
Carmel, Indiana

EIU Quarterly Economic Review

ALGERIA
MOROCCO
TUNISIA

Coups, economic revival, development plans and Maghreb economic unity are among the issues discussed in our latest review.

Details and subscription rates
THE ECONOMIST INTELLIGENCE UNIT

Spencer House 27 St James's Place London SW1
HYDe Park 6711 ext 27

60 East 42nd Street New York NY 10017
MUrray Hill 7 6560

Skopje After the Fall

SIR—Your interesting article of June 19th pays tribute to the generous help of 74 countries but omits to mention the considerable contribution of the United Nations. Projects for Skopje reconstruction in which the UN Special Fund has co-operated with the Jugoslav government have cost over $12 million, of which the Fund has provided some $3.5 million.—Yours faithfully,

GORDON EVANS
Secretary for Economic
And Social Affairs,
United Nations Association of
Great Britain and Northern Ireland
London, W1

Paris Air Show

SIR—In company with some 56 British manufacturers we exhibited at the 26th International Aerospace Exhibition at Le Bourget, Paris, France, from June 10th-22nd, in order to develop export business in conformity with the policy of H.M. Government. Why did H.M. Government do so little for us? For at least two years they have known there would be this International Air Exhibition. So have the United States who, two months before the opening, sent copies to H.M. Government, including our Minister of Aviation, of an illustrated catalogue of the exhibits of 38 private American companies: the static displays; flying demonstrations; space exhibit and flying army hospital of the Department of Defence; and details of their Business Information Centre, prefaced by a letter from President Johnson—the whole printed in French and English.

When the American ambassador attended the exhibition he visited every American firm, spending as much as ten minutes with some, thus underlining the importance of their presence. Why did not the British ambassador visit all the British stands? When our air minister came he didn't visit the British stands either. Why?

This is not a plea for special treatment for the British aircraft industry. We all know we must increase our export trade and those taking part in overseas exhibitions, with all the extra work and cost involved, should receive solid backing from the British government of whatever political colour, and ambassadors and ministers should visit all firms taking part—not just a few. It is important the European governments should see that we are taking our export business seriously.—Yours faithfully, J. H. MILLAR
Managing Director,
London, SW1 Avica Equipment Limited

Kuwait

SIR—I should like to point out a few inaccuracies in your correspondent's otherwise excellent report from Kuwait in your issue of June 19th.

He states that members of the Sabah ruling family are debarred from standing for election to the Majlis (National Assembly) by the Kuwaiti constitution. But in fact there is nothing in the constitution which prevents them from doing so. Their retaining of the premiership, and the ministries of finance, foreign affairs, information, interior and defence within the family can be compared to the convention in the British constitution whereby the four most important ministries have to be in the House of Commons.

As regards the rise in the influence of Kuwait's intelligentsia I find your correspondent's estimate of it too high. This group is not organised in the form of a political party or a pressure group. Because of differing educational background (Egyptian, British, or American) it does not hold a unified political opinion. Although a section of the group is represented in the Majlis, their advocacy of all-out support for pan-Arab causes such as the granting of large loans out of the country's reserves to countries which are known to have no intention of paying them back has lost them support and decreased their popularity.

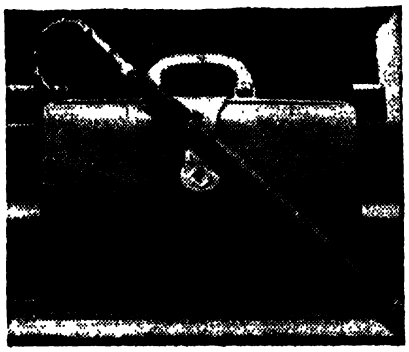
Because there are no political parties there is no question of any section of the community winning such a large majority in the coming election as to give it power to dictate the formation of a cabinet. I should also like to point out that Mr Abdulaziz al-Sager resigned as Speaker of the Majlis last winter.—Yours faithfully, W. MUHLAM
Surbiton, Surrey

Finance Bill

SIR—In suggesting that the Finance Bill originally provided for "60 per cent compulsory distribution of profits" of "close" companies your article "Partners, Participators and Tax Avoiders" (June 19th) shares a widely held misconception.

Schedule 18 of the Bill provided that in determining how far a company should go in making distribution up to the required standard of 60 per cent without prejudice to business requirements the "Commissioners shall have regard not only to the current requirements of the company's business but also to such other requirements as may be necessary or advisable for the maintenance and development of that business." This wording has been reproduced in an amendment to the Bill and is identical to that used in the Finance Act, 1952, with respect to distributions of "surtax" companies, which enabled a very large number of such companies, short of working capital or of resources to finance expansion programmes, to avoid paying any dividends at all. I recall one "surtax" company, with retained profits of £1 million over a ten year period paying no dividend during that time, because of its continuing dependence on borrowed money.

Provided that the minimum amounts allowable for remuneration in respect of full-time shareholding directors are increased and investment allowances are recast to give larger but more selective relief, then the typical family company should, whilst trading, pay less tax in future.—Yours faithfully,
Hertfordshire CHARTERED ACCOUNTANT



Even a Rank Xerox salesman

...has his failures

A Rank Xerox* salesman may be the envy of his rivals in the office-copying field, but even he doesn't ring the bell every time.

Only, he doesn't let it prey on his mind. He knows that xerocopying is years ahead.

What other system, for instance, offers permanent, bone-dry copying in seconds, on ordinary bond paper?

No more messy chemicals, costly sensitised paper, or copies that fade in their files.

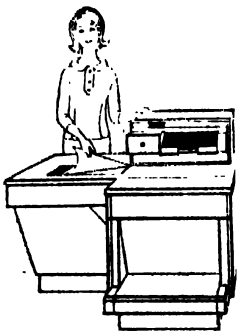
The remarkable versatility, speed and economy of xerocopying set new standards of efficiency in business communication. Hence the unqualified success of the Rank Xerox 914, and its desk-top counterpart for smaller copy volumes, the 813.

To help you exploit the total advantages of these unique machines, you will have at your disposal the services of a Rank Xerox efficiency expert. He will be a specialist in the field of graphic communications, and it will be his business to show you how to use xerocopying as a true tool of management.

You can test these claims with very little commitment because Rank Xerox machines are rented, not bought—and you can terminate your rental agreement any time, at thirty days notice.

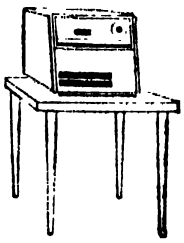
Why not book an early demonstration?

*Xerox is a registered trade mark of Rank Xerox Limited.



The Rank Xerox 914 the high-volume copier that copies even 3D objects

The Rank Xerox 813 a newcomer that sits on a desk top.

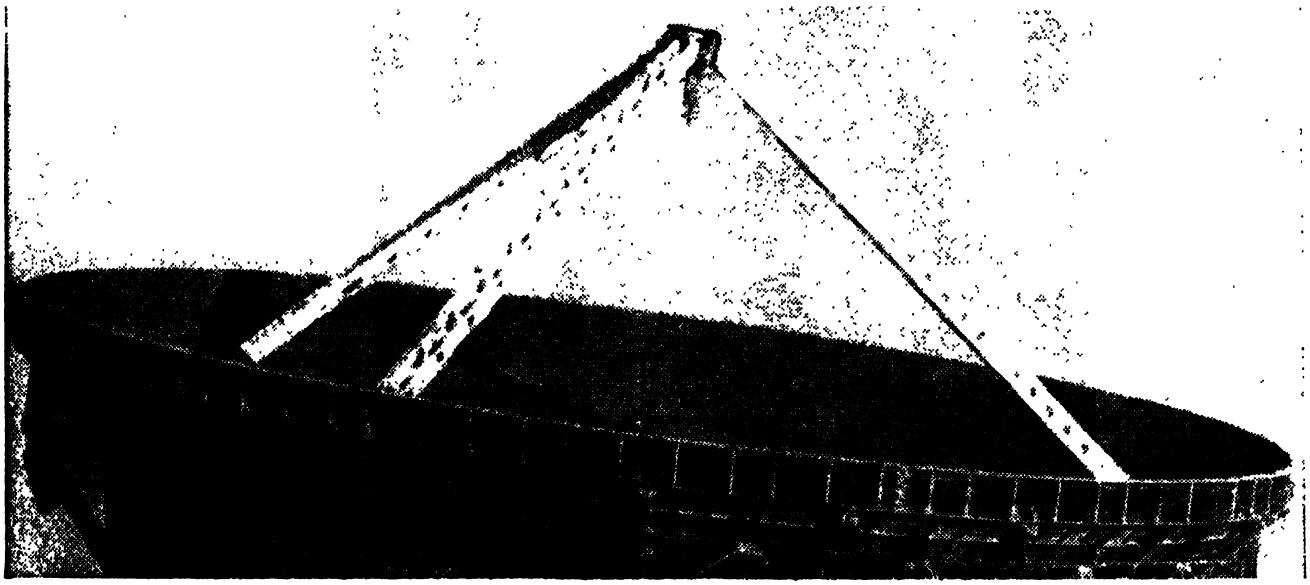


Your business depends on shared information.

RANK XEROX

A Division within the Rank Organisation, jointly owned with Xerox Corporation.

Rank Xerox (Rentals) Ltd., Ref. E7, 84-86 Gt. Portland Street, London W.1. MUSeum 5010



Tuned to "Early Bird". 20 tons of 'Silver Fox' stainless s[illegible] change the [illegible] serial. Consulting engineer: Husband & Co. Photog[illegible] by courtesy of H.M. P[illegible]

How to address a satellite

The G.P.O. tracking station at Goonhilly had to be made more accurate, more powerful, more sensitive so that it could communicate with "Early Bird", the new and more distant satellite to be used for commercial telephony.

That's why a new paraboloid reflector in the form of twenty-four adjustable 'petals' has been installed. The reflector has been made from 20 tons of 'Silver Fox' 316 stainless steel, made by the Samuel Fox subsidiary of United Steel. The choice of material was determined by its mechanical and electrical properties and by its power to resist corrosion in a sea-salty atmosphere.

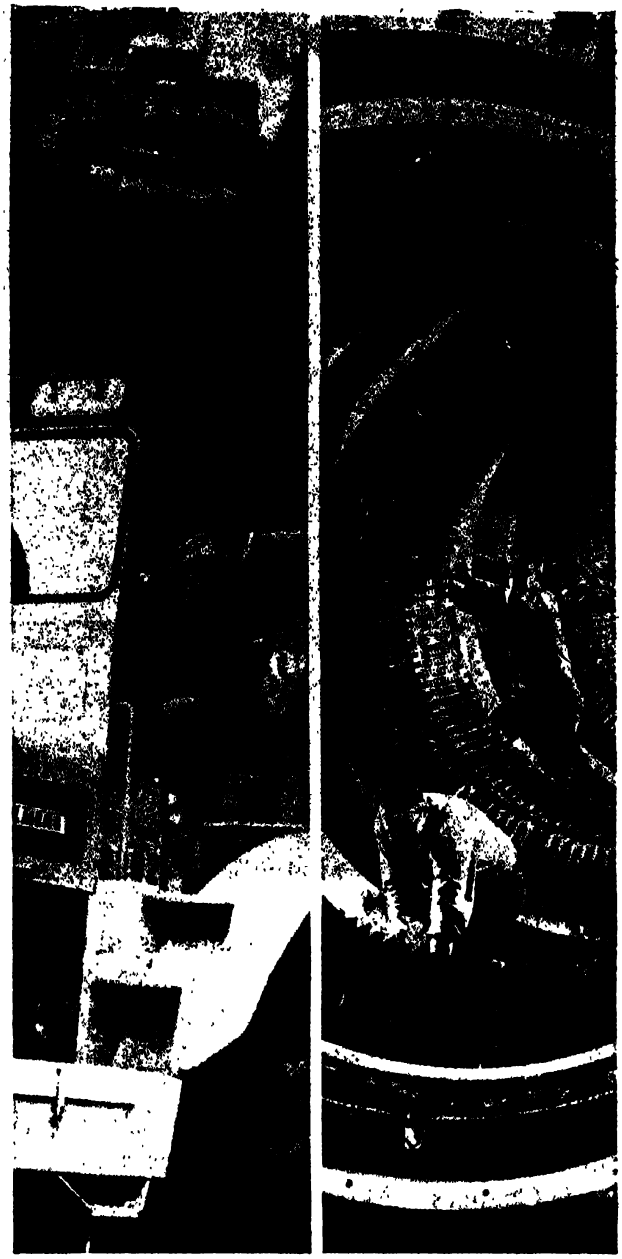
The original Goonhilly reflector bowl was made from a special steel produced by Appleby-Frodingham, another United Steel branch—and the famous Jodrell Bank radio telescope was fabricated and erected by United Steel Structural Company Limited. United Steel is ready to supply the materials demanded by the space age.

WHERE THERE'S PROGRESS THERE'S

united steel

THE UNITED STEEL COMPANIES LIMITED, THE MOUNT, BROOMHILL, SHEFFIELD 10. TELEPHONE SHEFFIELD 60061

US.206



Allis-Chalmers tractor group manufactures the equipment with the power and capacity for primary development of roads, dams, airports, schools, and all forms of commercial and industrial sites.

Motors, controls, grinding mills, pumps and even complete processing systems are typical examples of the extreme diversification Allis-Chalmers exhibits in a broad range of basic industries.

a world opportunity to trim operating costs

HOW ALLIS-CHALMERS MAKES IT HAPPEN IN INDUSTRY

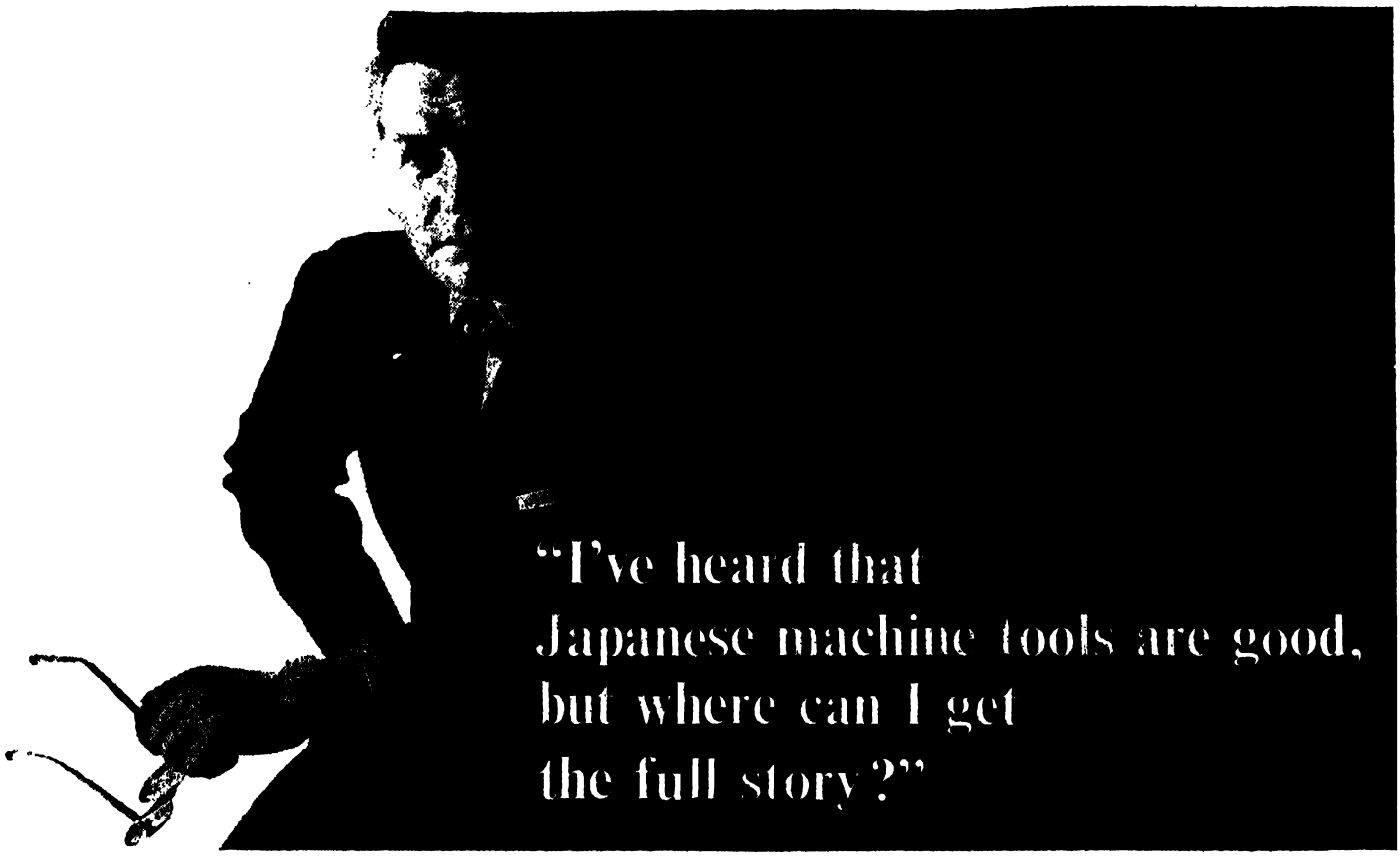
Men, methods, machines and 117 years experience; these are Allis-Chalmers cost-cutting credentials to industry. Men with the knowledge to research and solve your problems. Methods with a reputation for success. Machines to implement these methods. Allis-Chalmers alliance with industry has bred an alertness to its changing needs. Look to Allis-Chalmers for the skills and equipment to strengthen your competitive position. Allis-Chalmers International, Milwaukee, Wisconsin 53201, U.S.A.

Distribution of electricity to industry, transmission of huge blocks of power over vast distances, automation of power plants — these are some of the jobs performed by Allis Chalmers electrical equipment.

ALLIS-CHALMERS

A 6571

ALLIS-CHALMERS INTERNATIONAL PROVIDES SPECIALIZED AND GENERAL EQUIPMENT TO BASIC INDUSTRIES AND GOVERNMENTS THROUGHOUT THE WORLD



Many foreign businessmen find themselves in this kind of quandary. They don't want to spend the time and money making a direct survey of every manufacturer of the product they're interested in. Yet they want to be sure of getting the best in terms of price and quality. And they want to get the best possible credit terms and after-service.

If you have similar problems, you'll find your best solution is to contact a trusted, integrated Japanese trading organization like Marubeni-Iida.

FREE PRODUCT DATA

With its vast experience and staff of 7,000 trading specialists, Marubeni-Iida can provide you with detailed information on any Japanese product — from industrial plants to kitchen ware. Chances are our overseas branch will have all the information you'll need. If they don't, they can telex for it immediately from our head office.

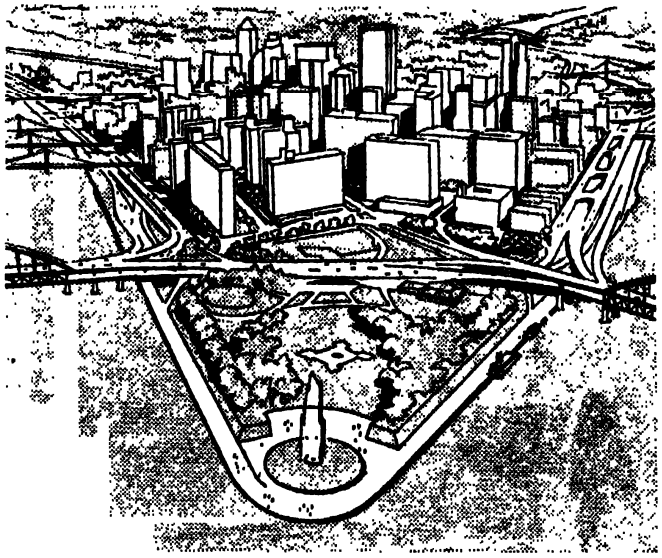
Once you've made your decision and placed your order, we will take full responsibility from there on. We will place the order, prepare all documents, obtain necessary government licences, arrange for shipment, delivery, payment, after-service, etc. We make trading with Japan easy and headache-free.

With 45 domestic offices and 78 overseas branches and affiliates, Marubeni-Iida is thoroughly familiar with trading patterns both in Japan and abroad. Our independence and long-established reputation for efficiency and fair-dealing are your assurance that your interests will be fully protected at all times. For further details contact our nearest office.

Traders with Global Coverage

Marubeni-Iida Co., Ltd.

LONDON OFFICE: Moor House, London Wall, London, E C 2. Cables: MARUBENI LONDON EC2. Telex: UK23285, 21716. Telephone: MET 0840-0849
HEAD OFFICE: P.O. Box Central 1900, Osaka, Japan Cable Address: MARUBENI OSAKA. Telex: OS-3261, 3262
TOKYO OFFICE: P.O. Box Central 595, Tokyo, Japan. Cable Address: MARUBENI TOKYO. Telex: TK-2326, 2327, 2328



Headquartered in Pittsburgh:

Allegheny Ludlum Steel Corporation
Aluminum Company of America
Blaw-Knox Company
Calgon Corporation
Consolidation Coal Company
Copperweld Steel Company
Crucible Steel Company
Dravo Corporation
Firth Sterling Inc.
Gulf Oil Corporation
Harbison-Walker Refractories Company
H. J. Heinz Company
Heppenstall Company
J. H. Hillman & Sons Company
Jessop Steel Company
Jones & Laughlin Steel Corporation
Joy Manufacturing Company
Kennametal Inc.
Koppers Company Inc.
Lee-Norse Company
Levinson Steel Company
Mesta Machine Company
Mine Safety Appliances Company
National Steel Corporation
Nuclear Materials & Equipment Corporation
Papercraft Corporation
Pittsburgh Coke & Chemical Company
Pittsburgh Plate Glass Company
Pittsburgh Steel Company
H. K. Porter Company, Inc.
H. H. Robertson Company
Rockwell Manufacturing Company
Rockwell-Standard Corporation
Rust Engineering Company
Shenango Furnace Company
Talon, Inc.
Union Electric Steel Corporation
United Engineering and Foundry Company
U. S. Steel Corporation (General Offices)
Vesuvius Crucible Company
Washington Steel Corporation
Westinghouse Air Brake Company
Westinghouse Electric Corporation
Edwin L. Wiegand Company

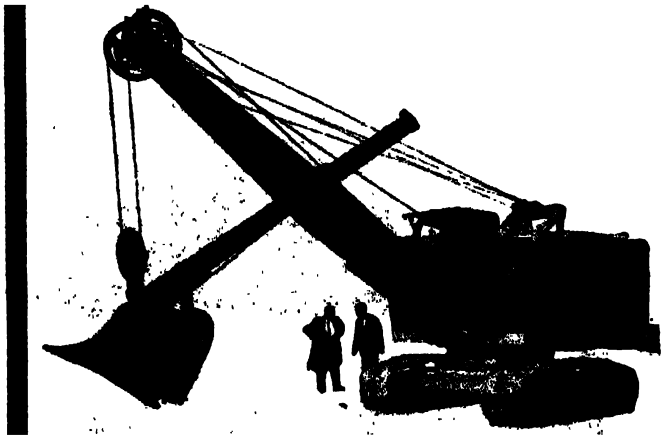
Pittsburgh National Bank is your local contact

European Representative Office:
20 Place Vendôme, Paris 1er, France
Phone: Richelieu 97-89
Cable: PITTSBANK
Telex: PITBURG 23-841
Representative: Pierre A. Gilliéron

Head Office: Fifth Avenue and Wood Street
Pittsburgh, Pennsylvania 15230, U.S.A.
Cable: FIRSTBANK
Telex: FIRSTBANK 086-833
Manager: William Boyd, Jr., Vice President

PITTSBURGH NATIONAL BANK

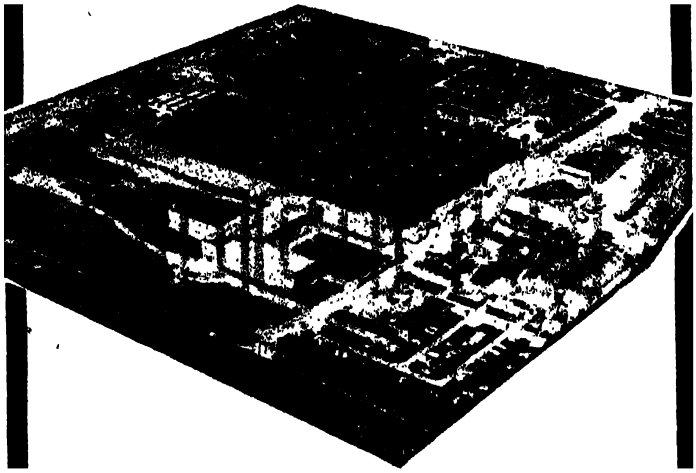
Founded 1864 Total Resources $1,367,146,235 (12/31/64)



Invest in the Best

'Good enough' just isn't good enough at Priestmans. Deliberately we make our products better than most—better than you might think necessary until you see your first 12 month's figures. Fine engineering is costly; but you get what you pay for. And in the field of construction equipment your slogan should be "Better by Priestman".

The world's finest Precision Cranes, Excavators and Grabs are designed and built here by Priestman of Hull.



PRIESTMAN CONSTRUCTION EQUIPMENT

PRIESTMAN BROTHERS LIMITED, HEDON RD, HULL, ENGLAND
Sold & serviced in 77 countries throughout the world

BCA

EN TODAS PARTES..

Leyland on autobahns. Leyland on freeways, autostrade, Routes Nationales and motorways. Leyland in Burmese jungles; in Dutch villages; in Belgian towns and in English cities. Leyland—everywhere. Vehicles manufactured by member companies of the Leyland Motor Corporation will be found hard at work carrying loads and people the world over. The Corporation makes over 1350 different types of motor vehicle, and member companies include such famous names as Leyland Motors, AEC, Albion Motors, Scammell Lorries, Standard-Triumph International. The production and research capacity of the Leyland Motor Corporation constitutes one of the most efficient automotive services in the world.

LEYLAND MOTOR CORPORATION

The name that carries weight in road transport

LEYLAND MOTORS LTD · AEC LTD · ALBION MOTORS LTD · SCAMMELL LORRIES LTD · STANDARD-TRIUMPH INTERNATIONAL LTD

Ⓜ C.3 Berkeley Square House, Berkeley Square, London W.1, England Telephone GROsvenor 6050

National Development Bonds

5% PER ANNUM GUARANTEED FOR 5 YEARS

2% BONUS AFTER 5 YEARS (FREE OF UK INCOME TAX)

1 MONTH REPAYMENT AT ONLY ONE MONTH'S NOTICE

FURTHER DETAILS FROM POST OFFICES AND BANKS

Issued by the National Savings Committee, London, WC2

BOAC cares...

about exporting businessmen

Businessmen don't buy shares in BOAC. They buy tickets. And every ticket bought is a wise investment.

Take new business for example.

And the case of Leonard Thompson.

As Sales Manager of Dunlop Footwear Ltd., he is continually broadening his company's horizons. Any chance of orders anywhere in the world, and he'll go after them.

With vital export contracts at stake, he can't afford too many time-wasting stopovers or changes of plane. Leonard Thompson is a very busy business man.

A conscientious one, too.

His company gets mad if they're not ahead of their competitors. Whether the destination is Teheran, Toronto or Trinidad, they want to get there directly and quickly.

Dunlop Footwear are also on the ball when it comes to after-sales service. Realising that there is more to BOAC than just passenger flights, they often use its Air Cargo service to follow-up sales with speedy, efficient deliveries.

Dunlop Footwear sales staff have flown to every country served by BOAC. They know BOAC cares about exporting businessmen. They have a super sales graph to prove it.

BOAC TAKES GOOD CARE OF YOU

BOAC

BRITISH OVERSEAS AIRWAYS CORPORATION

The Economist

JULY 10, 1965

The War for Europe 109
Who Was Responsible? . 110
Next to Sir Alec 111
Transports of Realism 113
Teach Your Grandmother 113

COMMENTARY 114
Vietnam; Malaysia; Parliament; Silly Season; Algeria; Men in Prison.

THE WORLD
AMERICAN SURVEY
Mr Johnson's Achilles' Heel . 119
Republicans Abroad; No Respite for Schools; Liquidity in Commission; Choosing the Few Job for Atomic Energy; Summer of Opportunity; Where Taxes Pinch; Shorter Notes.
INTERNATIONAL REPORT
The General Gives the Five the Boot 129
South Vietnam; Australia; Greece; India; Mexico; Arab World—I; Arab World—II; Spain.

BRITAIN
Incoming Tide? 140
Off the Rails; The Law and the Papers; Local Government.

BOOKS
Middle East Weather Vane . 145
LETTERS 97

REPORT ON CANADA after page 148

BUSINESS BRIEF:
Commodities—Poor Producers get Poorer 149

BUSINESS
Figuring Out State Industries 153
A Case of Overcharging 155
Blood Beneath the Mountain ..... .156
INVESTMENT 158
Finance Bill; Wine Bid; De La Rue; Mr Harvey and his Board; French Market; Cranleigh Group; Funding on a Rising Market; Beecham Group; Bank Dividends; General Electric; Newall Machine Tool; In Brief.
INTERNATIONAL 164
French Farmers and EEC; Foreign Investment; Latin America; International Liquidity; The Vatican's Riches; Australia; Swiss Retail Trade; Losses for Bosses.
BRITAIN . . 171
Computers; Consumer Spending; Building Societies; British Rail; Chemicals; Cement Prices; 400,000 in 1965?; Dock Labour; Musical Instruments; Colour Magazines, Hovercraft v. Hydrofoils.

Stock Prices and Yields 201

Annual Postal Subscription by ordinary mail UK £6; overseas £6 10s.
VOLUME CCXVI - NUMBER 6359

The War for Europe

No one can yet say for sure whether the European community is going to emerge alive from what is now its open war with General de Gaulle, or what shape it will be in if it does. But it is easier to see it disintegrating under his bludgeon blows in the coming months than surviving as a major force in the western world. As after the veto on the British attempt to enter the common market in 1963, the watchword in Brussels is Business as Usual. But the watchword comes eerily, as from men whistling in the dark. In 1963 there was a widespread hope that, though General de Gaulle might do his worst, generals come and go but institutions live on for ever. Today there is a sadder and wiser disposition to recognise that institutions can be assassinated after all.

And everything at present points to the general's will to assassinate them. The ruthless way in which the French dropped the guillotine on June 30th, the immediate freezing of the common market by withdrawing French representatives from its meetings, the tendentious way in which the French farmer is being told that the foreigner is refusing to pay him his due—all denote a carefully prepared campaign. General de Gaulle's design is clear: to remove the only effective restraint on his nationalism. This is the European community and the widespread commitment of Europeans, including many Frenchmen, to its integrationist ideals.

His tactics, too, foreshadow further diplomatic violence. A frozen common market is a contradiction in terms and cannot last. By the time, probably this autumn, when the freeze sets in and cools the present ardour of indignation, shivering businessmen, farmers and politicians will all be saying they want to live with a better prospect than that. One of two pressures will then be felt by the Five and the European Commission. Either they will say, as they have done hitherto, "We must save the common market at all costs." General de Gaulle can then impose his terms. Or they will say, "We must fight"; and then the general can present himself to the French electorate as a Roland standing at the pass for the integrity of France.

The odds are against their caving in. Not that they will fail to seek a compromise. But the process set in train is against one being achieved. The right card for the Five and the European Commission to play now is undoubtedly to offer to finish the talks cut off in their prime on June 30th. A compromise on the basis of the negotiations as they stood at that moment would be the best possible outcome. It would be exactly what they have said is possible all along. But, after all the rancour that has been generated, they can hardly settle for less. And why, after all the drama, should General de Gaulle not ask for more? He is far more likely to raise the stakes than call quits. He could well insist that the full French demand—an agreement now on farm financing—be accepted without anything being said about community budgets or the powers of the European Parliament. The Five might be able to justify this further retreat on the ground that it is better to live and fight another time. But more likely their humiliation and alarm would make them think the game is not worth the candle. Already this year General de Gaulle has shown the Germans he might sacrifice their interests to his desire for an agreement with Russia; he has also offended the Italians. Both are angry.

He might even add insult to injury and suggest turning the common market into a customs union without political aspirations. In this way, the old dream of a

European-wide free trade area could rear its unexpected head in the most unlikely capitals. For some time, there has been talk in Paris that the French, including even industrialists, are less opposed to a free trade arrangement than they were. General de Gaulle must also calculate that, if the other five countries lose hope of a deal, they will tend to look politically to Britain and economically to their own trading interests. Thus, whether the French or others lead the way, a free trade area proposal from within the frontiers of the Six seems the most plausible outcome of the present crisis: the end of integration for Efta and anon.

Lest some in Britain should be moved to raise a cheer, it is worth remembering that the last of General de Gaulle's victories of disintegration was the rejection of a European army in 1954. This was followed soon afterwards by German national rearmament, theoretically controlled by a loose Western European Union which in fact has never begun to come to life. If a free trade area were created, it might function better than that, because individuals, not governments, carry on trade. But, for a long time to come, the essential achievement of General de Gaulle would be the political vandalism of breaking up the world's one successful postwar attempt to organise international negotiation on a fairly civilised basis. This is what the European ideal has been about. In the present mood of the nations, there is precious little hope that, once killed, it would easily be revived after General de Gaulle had gone.

The general sees things otherwise. He probably feels that in clamping down on the common market he is freeing himself, the only independent European, from the embrace of America and its knock-kneed satellites, and thereby ending the cold-war division of Europe into two hostile blocks. Once the Germans have got over the initial shock, he reckons, they will sadly but inevitably abandon their American connection. But once they do that, Paris will always be better in with Moscow than Bonn can possibly be. The East will be France's ally against Germany, and so perhaps will Britain. Germany will be powerless to disturb the concert of powers revived in the heartland of world civilisation. Not least, the hero of the operation will be General de Gaulle.

The trouble with this characteristically grand but contemptuous design is that it creates chaos now, and you cannot build on chaos. By bringing to a halt the development of the European community, General de Gaulle would shatter many people's hopes. Most of all, he would throw a cracking blow at Germany's psychological stability. The idea of belong-

Who was Responsible?

One mystery in Brussels has been why the talks broke down in the small hours of July 1st. The mystery begins to clear only when one realises that, at the negotiating table itself, there was no reason why they should have broken down; a deal acceptable to France was not all that far away. Why did the guillotine fall?

The *French* say there was only one reason: some of the other countries failed to honour their pledge to fix, on the dot of June 30th, the arrangements for financing the common market's farm fund (see below) between now and the moment when the common market comes into full operation, which the French see as 1970.

It is true that the main farm importers, above all *Italy*, did hold out against an arrangement lasting without interruption until 1970. On June 30th the French made major concessions which offered hopes that Italy, the poorest relative, would receive more from the fund than it paid (partly from levies on imports) and limited appreciably the gains the French themselves would make from it. But these were hopes only. The Italians insisted on a review of the arrangement after no more than two years, to see that the hopes worked out. The French refused. But compromises were probably still technically possible; what was necessary was a little time.

This issue got entangled with another—the function of the European Parliament, most vigorously promoted by the *Dutch*, the *European Commission* and, in the end, the *Germans*. This question was first raised in the commission's proposals of last March. These assumed that the agricultural common market would be in operation by July, 1967, two and a half years ahead of schedule. This meant that levies on farm imports, and eventually customs duties on manufactured goods too, would go straight into a European fund without being routed, as they are now, through the national governments. By the same token, national parliaments would lose the power to say yea or nay to the spending of the funds thus accumulated. The European Parliament must therefore be given some powers over the budget. But the French, disliking this much loss of power by national governments, argued that the problem could be postponed until 1970, and hinted that for the meantime some formula, presumably a declaration of intent, could be found. Even the Dutch seemed likely to buy this.

Not surprisingly, then, most people thought, just before the break, that agreement was within reach. But when the Italian foreign minister, Signor Fanfani, and others asked for a little time to examine the "interesting" new French proposals, the French foreign minister, M. Couve de Murville, in effect told him to take them or leave them on the spot. The European Commission received the same dusty answer when it proposed to produce compromise proposals soon. There was a glaring contrast between the earlier French willingness to bargain, and the iron rigidity of the closing hours.

The same contrast is suggested by the Franco-German argument on whether June 30th was, or was not, a real deadline. The Germans thought when General de Gaulle went to Bonn in mid-June that it was not. So perhaps did some French officials, for on June 22nd a Franco-German agreement was reached at a civil-service level confirming that it was not. There is, indeed, no urgency. The farm fund can operate till August, 1966, without basic decisions. Yet, in the end, June 30th did prove to be a deadline, and death it was.

The only way of making sense of all this is to assume that President de Gaulle personally insisted that either the French obtain a five-year commitment on farm finance on June 30th or break off the talks—an extremity his own ministers as well as the other governments seemed to be trying to avoid.

ing to a unified west Europe has played a central part in Germany's political and moral recovery from the nadir of Hitler's *Götterdämmerung*. It has offered the Germans moral dignity in building up a community with other Europeans, and security for the future. By taking the place of the old purgatory of 1945, it has acquired some of the moral imperatives of paradise. To destroy these for narrowly French reasons not only removes the restraints on a possible resurgence of German nationalism : it even gives it bitter justification. After all, Germany is more powerful than France and has the only real grievance of any country in Europe.

Moreover, free trade or no free trade, a break-up of the common market would restore instability over a far wider area than Germany alone. General de Gaulle has opened up a Pandora's box of horrid questions. Is the next step for Britain and France to line up on one side, America and Germany on the other ? Will three of them team up in a developing Atlantic alliance and isolate France ? Will America deal directly with Russia ? Or Russia with France or Germany ? A great deal of the unusual calm in Europe for the last decade has been due to the stability created by the common market and the hopes of broader unity to come. With attitudes to Russia changing throughout the West, this unity did not exclude better relations with the East. If anything, it created a firmer base for them. At a time when nationalism is raising its head all over the continent, the loss of these restraints would enormously increase everybody's uncertainty and mistrust.

Even the immediate consequences of a break-up of the common market, if it comes to that, seem an odd consummation for a man as devoted to Europe as General de Gaulle is. They would be to reinforce the tendency of European states to seek special bilateral relationships with the United States. But, plainly, an organised Europe would make a better and more influential partner for the United States that a balkanised Europe teeming with competing states. It is all very well to revive the concert of powers. But where's the power ? From this viewpoint, the general's hubris invites the classical Greek nemesis of disunity all over again. Does General de Gaulle really want to go down in history as the perpetuator of European weakness ?

There is too much at stake here for the other Europeans to let General de Gaulle succeed in doing what he is willing to do. And among these other Europeans the British have a particular duty. For the moment, the best British policy is to shut up and do nothing. But, some time, a rescue operation in which there would be a part for Britain to play may be unavoidable, and Mr Wilson should be ready for it. He should resist the temptation to think solely in terms of reviving a European-wide free trade area ; this is certainly one way of picking up the pieces, but it is not the best one, and circumstances may allow other approaches. The best way would be to stand ready to offer Britain as a member of a reorganised European community which, shorn of France, could have an agricultural policy less alarming to the British consumer and the Treasury and to farmers in New Zealand and Australia. The biggest valid British objection to the common market would then disappear. Nobody really wants France to be isolated, and General de Gaulle will manoeuvre to prevent it. But people may yet get fed up with placating the implacable. Britain could then have a second chance to play a constructive part in the building of Europe.

Next to Sir Alec

The Tories have funked the choice of Sir Alec's top colleague and successor. But, however invidious the decision, the party's progressives must brace themselves to take it

WHAT is stopping Mr Edward Heath being accepted as the next Conservative leader? His rise in the past three months has been rapid. He has fought the Finance Bill with vigour and intelligence. He has fought it in depth, marshalling through the night watches a phalanx of young and sometimes unexpected front and backbenchers. He had their respect long before Tuesday night's ambush woke up the sleepyheads and loudmouths, and the headline writers too. Labour ministers have no doubts about who has really been opposing them this year. And yet it must be doubted whether there are more than 50 totally committed Heath men on the Tory benches.

Not that there are more than 50 totally committed Maudling men either ; while the Macleod squadron is as thin nowadays as any stage army. The rest—the knights of the shires, the loyal men, the undecideds—thankfully accept that Sir Alec has now decided to carry on at least for a bit longer, and feel themselves relieved of any responsibility to think about alternatives. All very satisfying for Sir Alec. But it leaves Mr Heath in a bit of a spot. After all, the Finance Bill has been his big chance. When Sir Alec reshuffled the shadow cabinet he banished Mr Maudling to the limbo of foreign affairs and handed Mr Heath the central issue of British policy, with both Mr Callaghan and Mr Brown to pummel and gouge if he could. Of all the half-taps on the shoulder that Sir Alec has given Mr Heath since October, 1963, this was the one that seemed to suggest who the favourite son really was.

Yet has Mr Heath made the headway in the party that his friends wanted to see? Not so far, he hasn't ; only by a shortish chalk perhaps, but not so far. The rationalisation of Sir Alec's reluctance to depart is that in an early vote on the leadership the Tories would be caught doing an agonising split. There is something in this. It may be that Sir Alec does not believe that Mr Heath has turned out to be the man he wants to succeed him. It is more likely that Sir Alec does not believe that even his word to the housecarles would swing them bodily over to Mr Heath and ensure him a clear-cut majority. The housecarles may admire Mr Heath, but they are a bit frightened of him, both as a political force and

as a person. Mr Heath's predicament is not just a personal one ; it is much more the classic situation of the abrasive man of change in what are still British political parties predominately staffed by men of no-change.

The Conservative party has to make up its mind quite soon to choose between two men of a kind that it has never really had put up to it before. Both Mr Heath and Mr Maudling come from lower down in the middle class than the people who run the Tory party quite like. Neither of them has won, or has even aped, the social standing that a Harold Macmillan or a Rab Butler possessed from the beginning. Neither of them went to the right school. Neither of them to this day carries the faintest whiff of gentry. Either of them, once elected, would be a much better leader than Sir Alec and a very different leader from Mr Macmillan. But if both of them were ever passed over, either for the indestructible Mr Lloyd or the socially OK Mr Soames, the Conservative party would come suicidally close to severing altogether its electoral roots in the lower middle class and upper working class. That is the Heath-Maudling strength everywhere except in the class-conscious public corporation of the Tory party itself. Now, simply because deadlock exists between their supporters in the party, because that deadlock has already encouraged or compelled Sir Alec to continue as leader, and because that deadlock could in the end encourage or compel the party to go beyond them both in its final choice, it is high time that those who could be happy with either began to make up their minds on which is the better bet.

They are very different men. Mr Maudling has chosen to conceal a first class intellect under a bulky friendliness ; Mr Heath wears his challenging knowledgeability on his sleeve. Mr Maudling has perfected a family-man aura that is admired south of the Trent, though not so much north of it ; Mr Heath has a bachelor's flat close to Westminster. At the last election, each was given a key job: Mr Maudling at the daily press conferences, Mr Heath as " anchor man " on the Tory telecasts. Mr Maudling was fine so long as he could play it cool, but as the pace warmed up he looked increasingly plaintive. Verdict: could have tried harder. Mr Heath sweated out hours in the television studio, but never achieved the simple level of communication of a mini-Dimbleby. Verdict: tried too hard, and missed the wood for trees. In the last leadership crisis, Mr Maudling's hat was openly in the ring: in the end he pleased neither Sir Alec, nor the anti-Home cabal that met under Mr Powell's roof. Mr Heath sensibly saw he was not a runner, and took care in good time to jump on the right bandwagon. In the House, Mr Heath is combative: he is at his best when he is mixing it. Mr Maudling's voice is most tuneful when it is singing sweet reason. On the public platform neither is in the same class as Mr Macleod. But Mr Maudling's speeches at the last two Tory party conferences have been plain disasters. Mr Heath rarely hits the heights of oratory, but never plumbs the depths of banality. Both are at their best in the privacy of small gatherings, but while both can be amusing, Mr Heath can also be robust.

It may well be on this kind of appearance, on this kind of political record, on the dissimilar figures that they cut in the world, that the bulk of Conservative MPs will finally plump for one or the other before the actual ballot. Which explains now why so many Tories find it so hard to choose, in the Commons or outside it (including the columns of every Tory newspaper in the country where the rivalry, in fact, is hardly ever discussed). But the differences that matter go deeper than any of these. Mr Maudling's great reputation rests on his ability to take the broad view, to speak on principles of action and conduct, and to discuss generalities in a liberal and telling way. He was a Chancellor who understood international liquidity and did more than any other British politician, before or since, to push this country's interest in a new system. More parochially, his newsletter to his Barnet constituents in June, 1962, was the most perceptive of all discoveries of the deepening Tory malaise. It is in this kind of comparison that Mr Heath appears at his weakest. It may be a merit that he does not often affect the world-historical attitude. He might well agree that this has never been his job. But it is impossible to recall a successful major effort by him on such a plane. In the Commons he is the man who seems content to be sound on detail. In Brussels it was detail by detail that he manoeuvred towards Britain's entry into the common market. He may have calculated that it would only be on such things as kangaroo meat that the French could ever be defeated—or exposed. But he left it to others to talk of history.

If Mr Maudling is to be the next Conservative leader, or if he is to become the central originating figure of Tory policy under Sir Alec, he will have to persuade the party that he is not only a sophisticated and well-rounded man but that he also has fire in his belly ; that he is, in essence, a serious man. If Mr Heath is to play that double part he will have to raise the pitch of his performance to the discussion of formative principles from which specific Tory policies should flow. It is hard to say which has the harder task. Mr Maudling's difficulty may be one merely of manner ; it may, more seriously and fatally, be one of temperament and character. Mr Heath has still to learn that it is not always dogged as does it. With Mr Johnson and Mr Wilson, his is the gospel of hard work ; none of them has much charisma, but they can outwork all the others. It may be that politics has gone past the generation where flair counted, the generation of Kennedy and Macmillan. But Mr Heath's immediate politics, his own uphill fight through the ranks of the Tory party, demand of him now that he should not simply work for change but should explain and sanctify the need for change among the very people on whose opinion of him his future visibly rests.

But if the choice had to be made between the two men now, it would have to be for Mr Heath. To those who believe that Britain's place is inside Europe, and to those who believe that the greatest single need in putting the British house in order is the encouragement of competition, Mr Heath has the better record. It was Mr Heath, of all Tories, who was prepared to go farthest to force open the European doors. It was Mr Heath, alone among the members of the Home government, who pressed forward a sensible, though unpopular, modernising measure: the abolition of resale price maintenance. Both efforts made him enemies in the party ; they are still there to oppose him. This is in the nature of parties that still try to amalgamate elements of change and still more elements of established interest. It is an unnerving high hurdle of British politics for a reformer to get his way with his conservatives until, like a Macmillan or a Wilson, he

has reached the top himself and can exploit the elisions and nuances that are open to the man who actually sits in No. 10.

Mr Heath's powers of judgment have still to be put to the test. It is perfectly possible to doubt them. What he has shown is that he has nerve and will: once pointed in the right direction the cannon will batter down the walls. For that very reason he seems to possess, however marginally, the greater potential. Perhaps he is the riskier choice. But what the next firmly-based British government will need at its head is a man who will take decisions on the side of efficiency, however unpopular they may be. In those terms the better choice is Heath.

Transports of Realism

Britain's biggest trade union has formally taken sides—with Mr Enoch Powell—against the Government's woolly socialist notions

"IN a free for all," said Mr Frank Cousins back in the bad old days of Tory rule, "we must make it plain that we are part of the all." By "we" he meant, of course, the Transport and General Workers Union, with its 1¼ million members. This week the union did not forget its general secretary's fine phrase; they sent it tinging up to where he sits in the Cabinet. The union's biennial delegate conference, assembled at Portsmouth, reasserted its stand as the last bastion of nineteenth-century *laisser faire*. The delegates, by an overwhelming majority, approved a motion put forward by their official leaders which rejected the incomes policy fostered with such love and passion by another of the union's members in the Cabinet—Mr George Brown.

Certainly, not all the delegates were voting with their hearts. One quietly admitted to your correspondent that he approved of the Government's policy—adding, moreover, that he voted Tory. But to confirm the union's grass-roots leanings, the members on Wednesday urged the Government to free the Vietnamese from entangling alliances, by the withdrawals of all foreign troops from that country: and to slap a strict curb on black men entering Britain. On incomes most of the pro-Brown delegates represented workers from growth industries who had no need of the union's power to force higher money wages, but were in favour of Mr Brown's efforts to raise real wages; this sophistication was rare.

It is clear, however, that wage-drifting shop stewards up and down the country will now have little urge to try to stem the drift (which is not, in fact, a disaster). In so many factories and plants where the lowest-paid men belong to the Transport and General, the shove on pay will go on starting where the push is most effective—at the bottom. The formal decision of this giant union will, perhaps, make little immediate difference in negotiations: it is highly doubtful how many shop stewards would in fact have been held back from local claims by a formal decision of the union to support an incomes policy. But the vast weight of the union will now be cast against an incomes policy when the Trades Union Congress has its debate in the autumn. No doubt there will be enough other large unions to vote in support of Mr Brown: Mr Sidney Greene's railwaymen agreed, after a heated debate on Wednesday, to do so. But Mr George Woodcock, who these days sometimes seems weighed right down by philosophical Oxford doubts about any form of action, is unlikely to prove a really energetic supporter of a policy of whose effect he is himself uncertain, and whose implementation he will not be unanimously instructed to prosecute.

There remains the position of Mr Cousins. His stand-in, Mr Nicholas, succeeded this week in arguing down a pugnacious little group of union members who argued that Mr Cousins should make his choice: that he should either leave the union for good, or work for it full-time. Mr Nicholas claimed that the Minister of Technology now has no influence at all on union decisions: Mr Cousins sent a fraternal cable to say that he was terribly sorry, but he was busy elsewhere and could not fit Portsmouth into his diary. (He answered a technological question in Parliament on Wednesday on the manufacture of boneless kipper sausages.) Certainly, Mr Cousin's position is odd—as titular chief of an organisation which is formally opposed to a policy for which he accepts collective Cabinet responsibility. But then Mr Cousin's position has often been odd. And his union's decision is not as damaging to the incomes policy as the actions of the Postmaster General, Mr Benn, too, is still in the Government.

Teach Your Grandmother . . .

The time has gone by for making piecemeal improvements in the way British schools recruit teachers

BY the end of this month an arbitration tribunal will have made its recommendations for increasing the pay of teachers in Britain. Its job, certainly, is to make a pay award—nothing else. But the arbitrators will have to bear two things in mind. First, there are not enough qualified teachers and there is by official confession no prospect of there being enough before 1978. Second, 70 per cent of new teachers emerging from the training colleges are women: they will stay in the schools for a mere two years on average, before leaving—usually, and naturally, to start a family. Some of them will return to teaching in ten years or so. But the crisis is now.

There is one striking peculiarity about the pay award that the arbitrators will be making before the end of this term. It cannot be put into effect until the teachers get back to their desks in September. This inevitable delay gives the arbitrators a chance to make possible a reform of genuine and long-term benefit. The deadlock that they have been called

in to resolve arose when the teachers' trade unions rejected an offer of 12 per cent from their employers—the local authorities and the Government. The arbitrators should now grant to the teachers a straightforward increase of 7 per cent—at 3½ per cent, or Mr Brown's norm, for each of the two years since the teachers last got a rise. They should then recommend that the teachers should also get an additional lump sum, if necessary larger than the 5 per cent gap between the 7 per cent norm and the 12 per cent offer.

But payment of this extra amount should depend on acceptance by the teachers of certain important conditions, to be worked out between their unions and their employers during the month's gap between recommendation and pay-out. Each condition refused should mean a reduction in the total amount paid. The employers should declare themselves free to announce, after the event, just how much money the trade unionists' conservatism has kept out of the teachers' pockets.

The first condition should be this. A teacher with three years' training now receives £630 a year on starting work. This is not dreadfully bad by the standards of a junior executive aged 21 in private industry. It is certainly not so low as to prevent there being many more applications for places in training colleges than there is room to accommodate. But the teacher must wait eight years before he touches £1,000 a year. After fifteen years he gets £1,250 (although a person would have to be pretty dumb not to acquire some slight increment on this). The best-qualified of neophyte teachers, the good-honours graduate with a year's post-graduate vocational training, starts at £880, rising to £1,500 after 15 years. These salary scales are unattractive even to the plodders: they are ridiculously inadequate for bright and ambitious people.

The teacher who sticks with the profession is badly rewarded for service; those who stick with the profession are mostly men, and men have wives and children to support. But until more men are attracted into teaching, the net gain from expanding the training colleges must remain tiny in numbers and wholly uneconomic. To go back to the old position, in which men teachers were paid more than women, is politically unacceptable: and there is no reason at all why women who do choose to stay in the schools should not be rewarded generously for doing so. The way to attract more men, and to keep them in teaching, is to increase very sharply the rewards of long service.

Why have these rewards been allowed to remain so stupidly low? Because the largest teachers' union has always insisted that the largest part of any pay award should be added to the basic scale, with an equal whack for all. A large enough increase for the senior people, if matched by a similarly large increase for the beginners, would simply make the total sum too great for the Treasury to bear at any one time. It would also mean that a great many young girls would be overpaid. The extra slice over and above Mr Brown's norm which is reasonable to demand for teachers at this time (because of the special need to recruit more teachers) should be concentrated on giving two sharp hoists to the basic salary, after, say, five and ten years' service: more generous provision should also be made for teachers who take on special responsibilities or acquire special qualifications. But there would still be too few teachers. Mr Crosland has asked the training colleges to do their best to put up production by 20 per cent—but has not been backed by a clear recommendation on how to do it.

In any case, the education of the 9½ million children who will be in the schools by 1978, and the half-million-odd young people who will by then be in post-school education, will be putting an unbearable strain on the output of all kinds of teachers and potential teachers, whether for pupils of primary or of university level. Things might just be all right if education were a self-contained world: if the whole purpose of further education were just to produce more and more educators. But there are the professions. There is, heaven knows, the civil service. There are even the industries which actually make and sell things, and which are rumoured to be in need of qualified people.

THERE are not just too few teachers. There are too few educated people of any kind. Those there are must be used as the scarce resource they are. This, bluntly, is why the teachers must accept the idea of working in the schools with less-trained people under their supervision. The nearest the main teachers' trade union has got to this idea has been to make careful schoolmen's distinctions between what is an ancillary and what an auxiliary. They never mention the fact that, until a mere two years ago, two years' training was accepted as normal for a beginning teacher, in full charge of a class. Why should they not accept that a trained and experienced teacher could teach two classes, each under the full-time attention of a briefly-trained person?

The children need to be taught by someone, rather than by nobody at all. This is what the argument is about. The teachers are going to have to accept this one day. They should be bribed to accept it, and held up to scorn if they refuse. The arbitrators ought to start the ball rolling, now.

COMMENTARY

VIETNAM

To Hanoi

MR HAROLD DAVIES's despatch to Hanoi this week shows how swiftly Mr Wilson plucks at any opportunity of bringing about a negotiation over Vietnam. Mr Davies, who is a minor government figure, seems to have decided during last month's Commonwealth conference (probably on Mr Wilson's prompting) to take up an outstanding invitation to visit North Vietnam; the North Vietnamese replied that he would be welcome. This certainly explains the Prime Minister's recent confidence that North Vietnam's apparent rejection of the proposed Commonwealth peace mission was not final. Ghana, too, seems to be making soundings; and the name of Mr Geoffrey Byng is being mentioned as a co-ordinator.

Mr Davies is now, one guesses, asking whether the North Vietnamese are ready to contemplate any concessions in their terms for negotiation. Do these still include the

total withdrawal of American forces? Are the affairs of the south still to be settled "in accordance with the principles of the National Liberation Front," which is what Hanoi claims now? There is also the preliminary question of the terms on which the Commonwealth mission might be allowed into North Vietnam. The North Vietnamese were said to be wanting full diplomatic recognition. They may now be willing to receive the mission in exchange for something less, the right to open a consulate-general in London. This is fair enough. There is already a British consul-general in Hanoi; here the North Vietnamese have to work through a journalist—though an active one in chatting up Labour's left.

Mr Davies's trip, like the Commonwealth mission idea, is useful if it serves to keep the lines open between Hanoi and the West. But Mr Wilson will have to be wary in handling further contacts with the North Vietnamese. He is under growing pressure at home to produce something—almost anything—on Vietnam. On Wednesday the Transport and General Workers' Union conference demanded the removal of "foreign troops" from Vietnam, something that Mr Wilson will have dinned into his ears at Labour's party conference. The British government will have to be very careful not to erode the Americans' position in a future negotiation. For instance, everyone would welcome a cease-fire in Vietnam. But a cearse-fire agreed to by the Vietcong after the rains, consolidating the gains they may have made during the monsoon, might be no more than a way of sitting tight through the dry weather. Some regrouping of forces will almost certainly be necessary if the outcome of the eventual negotiations is not to be prejudged. Mr Davies, who can be more sensible than his speeches make him sound, will have to be sure he is not being led up the garden path.

MALAYSIA

Turn for the Worse

THE Malaysian government is taking no chances after the Indonesian attack of June 27th in Sarawak, in which two policemen and seven civilians were killed. The civilian casualties included several members of a Chinese family unwise enough to live near a police station, including a boy aged 13, and three other Chinese who happened to be around near a bridge that was sabotaged some miles away. In short, this was straightforward terrorism. Malaysia's finance minister Mr Tan Siew Sin—a Chinese, like the victims and at least some of the attackers—gave the warning that it "might herald the beginning of a Malayan-type emergency," and "Malayan-type emergency" measures have been taken at once. All Chinese in the area of the attacks are being "resettled" in five "reception centres," since their community is accused of aiding, or allowing a local communist organisation to aid, the terrorists.

These are the tactics which, by cutting off the terrorists from supplies and sympathisers, won the Malayan emergency a decade ago at a considerable cost in alienating part of the population. They are also the tactics that have been tried, and have failed, in South Vietnam. The situation in Sarawak, with its long border with Indonesia, is uncomfortably more like that of Vietnam than that of Malaya years ago, since the terrorists ("freedom fighters" in Jakarta radio's version of the affair) can always retreat to safety. There have been three clashes with Indonesian guerrillas in Sarawak since June 27th; one of the victims was a teacher. As Mr Tan Siew Sin said, Malaysia may hope for the best but it must prepare for the worst; and what has happened in the last ten days is unmistakably a turn for the worse.

PARLIAMENT

Greeks Bringing Gifts

IT was the most ingenious ambush since the Trojan horse. Around 11 p.m. on Tuesday night, anyone hanging around the House of Commons could have been forgiven for thinking that the Tories had packed in for the night. Large numbers were seen driving away: the voting for the night seemed to be over. In theory, no Labour MP should have left the House without first "pairing" with a Tory who also promised to go. But everything was so quiet; a handful presumably decided that they could slope off without bothering to arrange a pair. Then, two hours later, the balloon went up. Many of the absent Tories had gone no farther than a nearby club, or the house of a friend, within sprinting distance of the chamber. As the hour for the coup drew near, they began slipping back; the trap was sprung, and the Government was beaten three times running. Two nice additional touches: some of the less sophisticated Tories, who might have given the show away, were not let in on the plot, and the actual issue (a new clause to help investors in unit trusts) was guaranteed to go down well with the public. Now Mr Wilson, too, has accepted it.

But when Mr Heath (and the Tory Chief Whip, Mr Whitelaw) have been given every credit for a smart operation, what is left? Mr Wilson still knows that, whenever he wants it, he can command a majority in the House of Commons. The Government has always recognised that it is vulnerable to occasional defeats on minor issues, and has made up its mind to discount them. Of course, Mr Wilson himself is left looking a bit silly. Only ten days earlier, he was claiming how clever the Government had been to avoid being beaten on so long a Finance Bill, and announcing that there would be no election this year. The events of Tuesday night have simply underlined the qualification: Labour can hang on to office only so long as they do not lose two by-elections, or, on a practical day-to-day basis, so long as defeats like Tuesday's remain the rare exception.

SILLY SEASON

Black Duke

POLITICS leapt with a whoop into the summer silly season last weekend. The first and probably silliest splash of all came after the Duke of Edinburgh's off-the-cuff remarks on Rhodesia to a group of students on July 2nd. Most of the people who have been saying what they think about this—a Rhodesian minister, a Kenyan one, and sundry British members of parliament—have been too busy reading their own meaning into what the Duke said to pay much attention to his actual words. These can be reduced to two propositions. First, it is inevitable that Rhodesia will eventually have African majority rule. Secondly, this being so, it is better to achieve results by negotiation than to take action (such as British military intervention) that could only result in bloodshed, even if it takes a little longer. These are sentiments with which the great majority of people in Britain would agree, and which accurately represent the policy of the British government. It also seems unlikely that any Commonwealth government would really maintain the contrary—that to accelerate an almost certainly inevitable process is worth a war. If anyone does maintain this, it is as well for someone to have pointed out that there is little support for such a policy in Britain.

Of course, if the Duke had been saying that Britain should not do its best, by all means short of war, to push Mr Ian Smith into granting equal political rights to Africans in Rhodesia, he would have been acting unconstitutionally in opposing the British government's policy, and foolishly in upsetting the Commonwealth. But that was not what he was saying. In holding that military operations are no solution in Rhodesia he was at one with Mr Wilson and Mr Bottomley. It is impossible to expect a man in the Duke's position, and with his force of character, not to utter a word on Commonwealth affairs for fear that what he says may be misrepresented. Members of the royal family are expected to be tactful, but they have the right to expect that their speeches will be read with care before criticism. The alternative would be to gag them altogether. And if possible misunderstanding of impromptu speeches is sufficient reason for putting to silence, which of us would escape gagging?

Shining Foot

THE charge that Mr Callaghan has committed a breach of parliamentary privilege is now sub judice, so we must not comment on it. Perhaps we can just be permitted to say that the gentlemen in Zürich should keep cool.

But the affair has already produced a rare and remarkable parliamentary phenomenon: a speech by an MP which actually and significantly changed the course of events. Mr Michael Foot has so often dis-

appointed his admirers that it was good to see him scoring a bull. Whatever the outcome of the Callaghan case, MPs are now betting that in the next session there will be a full scale inquiry into the whole question of parliamentary privilege, and that the verdict will be in favour of claiming privilege only in rare, exceptional and demonstrably heinous cases. (It may be added that if the newspapers did not make a meal of every supposed privilege case a whole lot of trivial complaints would never even reach the Speaker's hands.)

In essence, privilege is designed to make sure that MPs are free to speak their mind, and are protected from intimidation. It has respectable antecedents : some authorities date it back to Edward the Confessor, and it is certainly written into the Bill of Rights. In the 17th century it was a very real issue, but, to put it mildly, times have changed.

ALGERIA

Inner-directed

It is hard to see Algeria's new National Revolutionary Council as more than a pretty temporary garment for Colonel Boumedienne to wrap around the reality of military rule. The list of the council's members published on Algeria's Independence Day, July 5th, two weeks after the coup that threw out Mr Ben Bella, reads like an army handbook. There are only two civilians on it, both of them ministers under Mr Ben Bella. The remaining 24 names are those of military men—serving officers, ex-officers, or former heads of *wilayas*, the regions into which the guerrilla army divided Algeria. The list includes no politicians prominent in the struggle for independence. Colonel Boumedienne probably wanted to include such figures as Mr Ferhat Abbas or Mr Rabah Bitat ; if he did, he was unable to accept their terms, which included civilian predominance and a return to a multi-party system. The result is military government accompanied by a downgrading of Algeria's single political party, the National Liberation Front.

In his independence day speech Colonel Boumedienne spoke of restoring the National Liberation Front to "its true role of a revolutionary avant-garde"—a definition that seems to imply a purely ideological function divorced from practical politics and administration. He also hinted at constitutional reform, including perhaps the end of universal suffrage as a way of electing the president, and promised measures to deal with the "lamentable" economic situation. He has also announced "an end to verbal socialism." It looks as if Colonel Boumedienne is going to concentrate on Algeria's domestic problems, and to be pretty down-to-earth about these. Mr Ben Bella's fascination with Algeria as a dynamo of African revolution is liable to move down the list of priorities.

In downgrading the National Liberation Front, Colonel Boumedienne was maybe simply recognising how hard it is to build an active political organisation out of the fragments left behind by Mr Ben Bella. But the demotion of a party so closely associated with the Algerian struggle for independence is a serious matter. The independence day celebrations passed peacefully enough, and Colonel Boumedienne's coup is gradually being accepted by the world. But if the new regime is to survive it will have to acquire political roots.

MEN IN PRISON

One Up to Jugoslavia

A black report on the state of South African prisons, first published in the *Rand Daily Mail*, was reprinted by the *Daily Mail* on Monday and Tuesday. Filthy conditions, brutal guards, sadistic punishments—these things have become twentieth-century commonplaces, but fortunately they still have the power to shock. The report came from Mr Harold Strachan, who was released last month from prison after a three-year sentence for conspiring to cause explosions and is now under house arrest. By publishing it the editor of the *Rand Daily Mail* has infringed the South African Prisons' Act of 1959, which forbids the publication of information about conditions in prisons. South Africans concerned for their country's good name should be grateful to an editor who has the courage to speak out on this issue. The report makes it clear that even the government's own prison regulations are not kept by the warders, though it is fair to add that Mr Strachan found conditions in at least one jail quite tolerable.

From Algeria, at the other end of Africa, comes another story in the same vein. In the latest issue of the review *Jeune Afrique* Mr Ahmed Taleb, once an official of the Algerian Moslem students' union, has told how he was tortured by Mr Ben Bella's police to make him confess complicity in Mr Ait Ahmed's Kabyle rebellion. The order to torture him, he was told, had come from "very high up." Mr Ben Bella is now a prisoner himself. It is to be hoped that the new Algerian government will make an end of barbarities of this kind. But it is depressing to see that South Africa and revolutionary Algeria should both have permitted the terrible dialectic that unites torturer and victim.

From Jugoslavia, on the other hand, comes more cheerful news for those concerned for human rights. Speaking on July 4th to the International PEN congress at Bled, Mr Matej Bor, its Jugoslav chairman, deplored the recent prosecution of Professor Mihailov for criticisms of Russia as an "unfortunate departure" from the principle of free speech. Mr Bor's statement was courageous ; the fact that it can be made on an official occasion goes some way to support his contention that Jugoslavia respects human rights.

The Economist

JULY 8, 1865

AN UNINTELLECTUAL PARLIAMENT

¶ Various statistics float through "well-informed circles" as to the probable effect which the impending elections will have on the division of parties and the structure of the House of Commons. But really well-informed people do not attach much importance to such figures. Conjectural statistics are at once the worst of conjectures and the worst of statistics, and those who can prophesy with confidence the aggregate result of many local skirmishes must have wonderful faith in the accuracy of their information, or in their capacity for divination. . . . We fear the unintellectual element will be as powerful in Parliament as ever. . . . There are three most potent causes which bring into Parliament men often of the greatest respectability, and always of undoubted gravity, but in general defective in advanced culture and legislative originality of mind First among these is the appetite of certain men of business to get into Parliament for business purposes. It serves the purpose of a man engaged in companies and speculation—very likely legitimate and very profitable—to become a member of Parliament. He gets in that way more of those profitable and legitimate directorships. He sells his membership in the city, and in such years as 1863 and 1864 he may make a good deal of it. Again, there is a vast desire, on the part of new wealth, to obtain the unknown good of social distinction. There is a "kept down" feeling on the part of people who can "buy up" half the world which keeps them down. . . . These two causes combined, and perhaps a vague confused ambition from which the most exact men are not exempt, bring into Parliament a great number of new men of business, who, as Mr Bright once said, "look as if they did not quite know what they came there for" . . . . They have excellent ideas as to their own business to which they have been accustomed, but they have very few, and those bad, ideas as to the subtle and new political business to which they have not been accustomed. They know what they *were*, but they hardly understand what they *are*. . . . This weakness in the intellectual constitution of Parliament is always to be regretted, but more than ever to be regretted at the present moment. Our statesmen have now the most difficult of tasks, a *creative* task to perform. The present constitution of Parliament contains great defects which no one denies, but which no one knows how to remedy. . . . An intellectual Parliament was never more requisite, and a predominantly unintellectual Parliament was never more certain.

AIR FRANCE
welcome tours

SOUTH AMERICA 28 days from £630

See pulsating, vital, South America. Start at Rio; visit the exciting developments at Brasilia; fly on to Sao Paulo, Montevideo, the Lakes of San Carlos de Bariloche (high in the Andes), Santiago, Lima, and Cuzco (where you'll see the famous pre-Inca city of Macchu Picchu). Finally, if you wish, you can make a short visit to the French West Indies on your way home. Each Welcome Tour is personally planned for you, includes air travel by Air France Boeing Jet Intercontinental or other scheduled flights (economy jet or tourist class) private cars for land travel, first class hotels and English-speaking guides everywhere. Ask your Travel Agent for Welcome Tours brochure (with details of 8 different tours), or write to Welcome Tours Dept EC

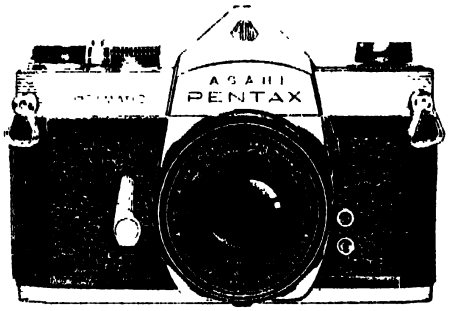
à Votre Service

AIR FRANCE, 158 NEW BOND STREET W1
London GRO 9030 Birmingham CEN 9251/4 Manchester DEA 7831/5
Glasgow CEN 8054/5/6 Dublin DUBLIN 78073

AIR FRANCE
THE WORLD'S LARGEST AIR NETWORK

EC-65

比較してください



compare!

Compare the Spotmatic with any other camera with a built-in meter. Most other built-in meters read exposure *from outside* the taking lens. They read either more or less than what your lens sees. Possible results: Under- or over-exposures, plus waste of films. The Spotmatic's meter is invisibly incorporated. Highly sensitive and completely integral. It reads your exposure *through* the taking lens, from your subject's image *in focus* on the viewing screen *(in focus on the film plane)*. Reads exactly what your lens sees. No parallax. No exposure adjustments. The most ideal and accurate method of exposure determination.

Compare it at your dealer's soon, or write for your illustrated literature.

ASAHI PENTAX
ASAHI OPTICAL CO., LTD.
C.P.O. 895, TOKYO
5 AVE. CLEMENCEAU, BRUXELLES 7

THE BANK OF NEW YORK

NEW YORK'S FIRST BANK - FOUNDED 1784

STATEMENT OF CONDITION

June 30, 1965

RESOURCES

Cash and due from Banks	$226,452,472
United States Government Securities	74,203,872
United States Government Agency Securities	10,800,442
State and Municipal Securities	43,906,348
Other Securities	3,042,428
Loans and Discounts	388,270,712
Banking Houses and Equipment	12,563,068
Customers' Liability for Acceptances	19,414,028
Accrued Interest and Other Resources	5,391,872
	$784,045,242

LIABILITIES

Capital (750,000 Shares—$40 Par)	$ 30,000,000
Surplus	30,000,000
Undivided Profits	8,836,890
Reserve for Contingencies	3,283,809
Dividend Payable July 1, 1965	1,012,500
Deposits	679,408,285
Acceptances	20,925,801
Reserve for Taxes, Interest, etc.	6,073,216
Other Liabilities	4,504,741
	$784,045,242

Reserves deducted from:

Securities	$ 3,455,153.
Loans and Discounts	2,509,893.
Securities pledged to secure U. S. Government Deposits and for other purposes as required or permitted by law	$41,055,552.

48 Wall Street

New York 10015

Fifth Avenue Bank Office at 44th Street

CBS Building Office at 51 West 52nd Street

Park Avenue Office at 52nd Street

Madison Avenue Offices at 63rd Street and 73rd Street

TRUSTEES

SAMUEL H. WOOLLEY
President

CHARLES M. BLISS
Chairman

H. ADAMS ASHFORTH
Albert B. Ashforth, Inc.

JERVIS J. BABB
New York

WILLIAM R. BIGGS
Executive Vice President

ALEXANDER CALDER, JR.
Union Bag-Camp Paper Corporation

HUGH R. CHACE
Senior Executive Vice President

ALGER B. CHAPMAN
Beech-Nut Life Savers, Inc.

JOSEPH H. CHOATE, JR.*
Choate, Regan, Davis & Hollister

ARTHUR H. DEAN
Sullivan & Cromwell

ELI WHITNEY DEBEVOISE
Debevoise, Plimpton, Lyons & Gates

MAGRUDER DENT
Joshua L. Baily & Co., Inc.

GEORGE C. FRASER
New York

J. ROY GORDON
International Nickel Co. of Canada, Ltd.

THOMAS F. MILBANK
New York

THEODORE G. MONTAGUE
The Borden Company

M. NIELSEN
The Babcock & Wilcox Company

H. ADD PLUMLEY
State Mutual Life Assurance Company of America

HENRY J. SCHULER
New York

HOWARD E. SIMPSON
Baltimore

HANS STAUFFER
Stauffer Chemical Company

JOHN FAIRFIELD THOMPSON*
New York

JOHN C. TRAPHAGEN
New York

FRANKLIN B. TUTTLE
Atlantic Mutual Insurance Company

*Honorary Trustee

NEW YORK CLEARING HOUSE MEMBERSHIP NO. [illegible] • MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION • MEMBER FEDERAL RESERVE SYSTEM

THE WORLD AMERICAN SURVEY

Mr Johnson's Achilles' Heel

WASHINGTON, DC

Life, *Time*, Mr Joseph Alsop and the *Wall Street Journal* all observed Independence Day by discussing not the state of the nation, but the state of President Johnson. The first magazine found him as changeable in temper as the weather, but lately sombre and withdrawn. The second magazine attributed to the war in Vietnam, coupled with the unkindness of intellectuals and journalists, the fact that Mr Johnson was "more sombre, subdued and pre-occupied than at any time since he entered the White House." Each implied, if no more, that he allowed his mood to govern him more than is appropriate to so big a man and that his sensitiveness to criticism, or his thirst for praise, was over-developed. The *Wall Street Journal* felt that things would be better if Mr Johnson would stop wanting to be thought lovable. By the middle of the week Mr Wicker of the *New York Times* had weighed in. Direct attack was reserved for Mr Joseph Alsop, the columnist, who compared Mr Johnson in his moments of anger with Captain Bligh and Johnsonian Washington with the *Bounty* before the mutiny. Mr Alsop's article was not wholly hostile, however. It conceded the President's great qualities and dismissed the conventional sneers at Mr Johnson's Texan style. But the attack was serious and specific: that in deciding what to do in a matter of substance, Mr Johnson allowed himself to be swayed by, in effect, morbid resentment of the way the press does its job.

Something like this charge has been heard before. Towards the end of last year a tentative project for channelling federal money to the states for their general budgetary use was abruptly shelved by the President because it had been talked about "prematurely," though in that instance it was possible to argue that the actual disclosure had mobilised opposition and thus increased the difficulty of putting the scheme through. Several nominations for jobs, particularly as ambassadors, were said to have been refused because they had been mentioned in the press before the President had approved them. Certainly the men concerned believe that this has happened; their anxiety, lest a journalist's casual word should deprive them of a coveted post, can be imagined. It is a nice speculation whether a man can avoid a job he does not want by prudently circulating a rumour about it or keep a job he wants by letting it be known that he is on his way out.

Mr Alsop's present charge concerns the President's speech at the United Nations anniversary celebration on June 25th at San Francisco. Many people there, and some in Washington, expected at the time that Mr Johnson would announce proposals for resolving the dispute about peace-keeping dues and put the organisation back on its feet financially. He did not. Mr Alsop points out that four days earlier the *New York Times* published a report by Mr James Reston that the President was about to make such a gesture, agreeing that special assessments for peace-keeping should in future be voluntary. Mr Alsop alleges that on reading Mr Reston's report the President flew into a temper, ordered his speech to be redrafted and put the contemplated offer back in its pigeon-hole. American history, Mr Alsop comments, "shows no record of any

previous President who refused to do what he had been thinking he probably ought to do, because someone else was sharp enough to figure out he might do it." Unfortunately it is all too probable that Mr Reston's report, reflecting as it did advice tendered to the President by the State Department, set off one of those explosions of temper. To put the matter in proportion, it is not suggested that President Johnson decided not to make the gesture to end the dispute in the United Nations, merely that he decided against announcing it at San Francisco on June 25th, which would have been a graceful moment to do it. It can be accepted that the prevailing view in the State Department is in favour of the gesture; the next suitable moment for it will probably come in August, when the United Nations committee concerned with the matter is to meet.

That he was thinking of making this gesture at San Francisco was apparent from an earlier remark at a press conference. But he had not decided to do it. He had other reasons for hesitating, apart from Mr Reston's report. Inevitable as it has become, the retreat from the principle of compulsory peace-keeping contributions is an embarrassing one and makes it no easier to get the Foreign Assistance Bill through Congress in the form that the Administration desires. Mr Johnson had to weigh the international attractions of a gesture at San Francisco against the drawbacks of asking Congress to swallow two kinds of nasty medicine at once. The matter was one for him to judge. That he allowed his annoyance with the *New York Times* to influence his decision can hardly be proved. Unfortunately, there are many people within earshot of the White House ready to accept that very likely he did. At one stage Mr Johnson had not intended to go to San Francisco at all unless he had something concrete to say when he got there.

Six months after his inauguration, President Johnson has lost none of the immense popularity which he amassed across the country in the year after Mr Kennedy's assassination and he often has a public opinion poll in his pocket to prove it. It is the professionals—the higher government servants, the political journalists, a certain type of Democratic Congressman, together with many of the academic people who follow politics—who are beginning to ask what kind of President they have got. The answer is complex; certainly it is by no means wholly in Mr Johnson's disfavour. It would be quite wrong to allow the apparent pettiness of his irritation with the press to give the impression

that he is a small man. Experience of him in office has not made him look smaller; it has made him look bigger, stronger and more effective than ever he looked. He is big physically, vast in his supply of energy, insatiable in his appetite for detail, capacious and quick in his mental grasp, inexhaustible in the ingenuity he brings to the handling of Congress.

He himself would not expect his control of Congress to last undiluted for ever and the signs of congressional restiveness under it have already begun to appear. But it is evident that before his control slips he will have achieved an output of domestic legislation without precedent, for size and scope, in thirty years. Some of the credit for this goes to the pressure for welfare measures from the new wave of Democratic Congressmen, but a great deal of it is Mr Johnson's. The ingenuity by which the Education Act got round the religious problem is typically his. People who like to see matters of principle fought out and settled find it unsatisfactory, but the federal government now has power to develop and improve the schools and the interest of the churches has not been injured. The President's intervention saved the Housing Bill last week when an important part of it was under threat in the House of Representatives. Another example of the Johnson touch is provided by his balance-of-payments policy. To all appearances, his arrangements for the informal control of overseas spending by American business are yielding substantially what a mandatory control on capital movements might have yielded, without attracting any of the odium. This is typical of his fertility, in home affairs, in devices for dodging the painful issue while achieving the necessary result.

In foreign affairs, the touch has eluded Mr Johnson; the painful decisions have refused to be circumvented. They have tormented his emotions, taken up his time and drawn heavily on his strength. What is perfectly plain is that the President takes failure hard. Not only is he an emotional man, he is also a man always in need of reassurance, of concurrence (the more heartfelt the better), of affection and admiration. This causes him to take criticism badly, however constructive or helpful, unless from a few very close associates of whose personal devotion he feels utterly sure. It troubles his relations with the press, a profession little accustomed to supplying public men with unstinted praise when they feel in need of it. At times Mr Johnson has tended to confine his contacts with the press to the palace reporters whom he can hope, in a way, to be able to depend on, since they depend so much on him. Lately, he has been giving time to journalists from outside that narrow circle and it has been noticeable that he talked too much. His answers tend to be followed by lengthy explanation and self-justification which the pressman has no right to expect and little reason to want.

This not only wastes time and energy which a President, even one of the stamina and energy of Mr Johnson, needs to husband. It also reflects the emotional vulnerability which is the Achilles' heel of this powerful, intelligent, effective man. No unnatural degree of discernment is needed to point this out; it is plain for all to see who come in contact with him. To his staff its effects are often painful; the tension of working close to him is very great and there is an obvious danger that, unless he can find ways to keep the tension down, he may eventually lose more of his assistants that he can afford to lose. It is no slur at all on Mr Johnson to say that the President's staff has to act as the lightning conductor that reduces the dangers inherent in great personal power and as the balancing mechanism that weighs and moderates the decisions at the moment of their being made. Mr Johnson is not the first President to try to curtail the exchange of information and ideas with the world outside the White House. But his servants need such exchange, for which the press serves as one channel, as much as the outside world needs it.

Republicans Abroad

The new Republican leaders in the House of Representatives want to prove that they can provide a more spirited opposition than the men whom they deposed at the beginning of the year. Their search for issues is taking them abroad. The Administration does not seem much concerned by the admonitions of a Republican fact-finding mission from the House which recently spent a week in Paris diagnosing the ills of the Atlantic Alliance. Its report, published last week, must have made pleasant reading for President de Gaulle. It accepts him at his own valuation as a spokesman for Europe, urges President Johnson to take the initiative in seeking a meeting between the two leaders and raps the United States over the knuckles for not helping the French to develop their nuclear weapons and for swamping Europe with sales of American arms. Perhaps the mission might not have been so fulsome if its report had been written after President de Gaulle's moves against the European Common Market. The risk is that the French may read more into this report than is really there. The four members of the mission were inexperienced travellers; they did not even include a member of the House Foreign Affairs Committee. And in forming the minority's position on foreign policy it is the Senate, not the House, which really counts.

Nevertheless the House can make trouble when it turns to Vietnam, or so the Administration seems to fear. In the middle of June Representative Laird, the chairman of the Republican Conference, said that the Republicans might withdraw their support of the President's Vietnamese policy if American lives were being risked needlessly in the cause of a negotiated peace and a coalition Vietnamese government containing communists. Such a policy, he hinted, might become a political issue at the next election. Mr Ford, the leader of the Republican minority in the House, then demanded a big increase in American bombing of North Vietnam, which he argued should be "pulverised" before large numbers of American troops were sent into the firing line.

Senator Mansfield, the Democratic leader, dealt last week with unaccustomed sharpness with what he called a demand for total victory at bargain basement rates. For the Senate minority Mr Dirksen had already disclaimed any intention of wavering in support of the President. But the Administration took the House sniping seriously enough to send Mr McNamara, the Secretary of Defence, to see Mr Ford and to try to persuade him, according to reports, to accept the possibility that more troops may be needed in Vietnam this summer. By taking Mr Ford into its confidence the Administration hoped that it had convinced him, and the more formidable Mr Laird, that its plans for increasing the pressure on North Vietnam were adequate. But on Wednesday Mr Ford was at it again, demanding that missile bases in North Vietnam should be bombed immediately—whether they were manned by Russians or not because they endangered American lives.

No Respite for Schools

In Chicago educational authorities and city officials are up against a furious campaign by civil rights enthusiasts to unseat the city's superintendent of schools, Mr Benjamin Willis. Over the past month groups of marchers have been demonstrating, sometimes bringing Chicago's traffic to a halt, in protest against the reappointment of Mr Willis to his fourth term in the job, even though he has promised to resign in eighteen months when he reaches the age of 65. What has brought fire down upon Mr Willis's head is his philosophy that pupils should attend neighbourhood schools near their homes. To those determined to give Negro children equal opportunities with whites, this policy simply means that the children attend schools as exclusively Negro as the housing ghettoes in which their families live. (This phenomenon is called

Project for tomorrow- Design for Living

HOW CAN WE achieve more and better housing in the face of a chronic shortage of men and materials? New techniques and new materials can provide a way. Not only do they help builders to speed production, but they also enable the designers to go beyond the limitations of existing materials into a new area of design and aesthetic possibilities. ☐ The potential use of plastics materials is vast and exciting, and only beginning to be recognised. Plastics for flooring and plumbing have already added to the beauty and utility of today's houses. An entire bathroom moulded in two pieces is already a practical possibility. It reveals the capacity of plastics to provide a standard of design never before available to everyone. ☐ Plastics are going to play a part in every major project of the future. This is why I.C.I. Plastics Division at Welwyn Garden City is in the forefront of this development, working now with an eye on the twenty first century, to maintain its lead in the whole plastics field. ☐ This is certainly good for I.C.I. If you are planning for the future it could be good for you.

Action for today- I.C.I. Plastics Development

ICI

IMPERIAL CHEMICAL INDUSTRIES LIMITED
Plastics Division, Bessemer Road, Welwyn Garden City, Herts.

PG63

BROWN BROTHERS HARRIMAN & CO.

BANKERS

NEW YORK BOSTON PHILADELPHIA

Business Established 1818

Correspondents throughout the World • No Foreign Branches or Affiliates

Partners
J. EUGENE BANKS
MOREAU D. BROWN
PRESCOTT BUSH
WILLIAM R. DRIVER, JR.
ELBRIDGE T. GERRY
E. R. HARRIMAN
FRANK W. HOCH
STEPHEN Y. HORD
R. L. IRELAND, III
F. H. KINGSBURY, JR.
ROBERT A. LOVETT
JOHN B. MADDEN
THOMAS MCCANCE
L. J. NEWQUIST
ROBERT V. ROOSA
L. PARKS SHIPLEY
JOHN C. WEST
KNIGHT WOOLLEY
Limited Partners
LOUIS CURTIS
GERRY BROTHERS & CO.
W. AVERELL HARRIMAN

Statement of Condition, June 30, 1965

ASSETS

CASH ON HAND AND DUE FROM BANKS		$ 88,556,733.58
U.S. GOVERNMENT SECURITIES, DIRECT AND GUARANTEED		35,020,619.95
STATE, MUNICIPAL & OTHER PUBLIC SECURITIES		38,711,270.42
OTHER MARKETABLE SECURITIES		2,911,382.44
LOANS AND DISCOUNTS		119,768,310.46
CUSTOMERS' LIABILITY ON ACCEPTANCES		17,387,300.94
OTHER ASSETS		5,150,458.33
		$307,506,076.12

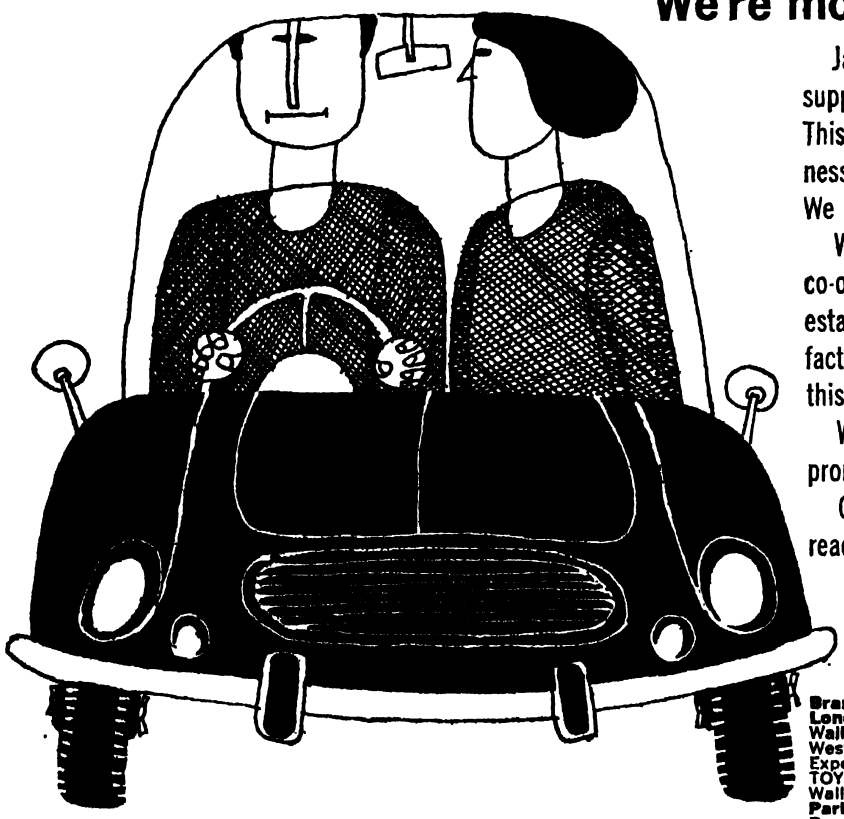
LIABILITIES

DEPOSITS		$268,399,776.43
ACCEPTANCES: LESS AMOUNT IN PORTFOLIO		18,453,657.53
ACCRUED INTEREST, EXPENSES, ETC.		1,407,358.62
CAPITAL	$ 4,000,000.00	
SURPLUS	15,245,283.54	19,245,283.54
		$307,506,076.12

Complete Banking Facilities • Investment Advisory Service • Brokers for Purchase and Sale of Securities

MEMBERS OF PRINCIPAL STOCK EXCHANGES

Licensed as Private Bankers and subject to examination and regulation by the Superintendent of Banks of the State of New York and by the Department of Banking of the Commonwealth of Pennsylvania. Subject to supervision and examination by the Commissioner of Banks of the Commonwealth of Massachusetts.



We're moving . . .

Yes, we're bringing materials and services into Japan, shipping goods out!

Japan is a has-not nation . . . short of natural supplies, and this crowded island must trade to live. This has led to the creation of highly individual business organizations promoting trade in many directions. We are such a house.

We act as traders, business promoters, industrial co-ordinators, contractors and financiers, and our established contacts with many leading world manufacturers and suppliers may help your business in this active area.

We are eminently equipped to handle your business promptly, efficiently and to your maximum benefit.

Our highly trained team of business experts are ready to serve. Can we help you?

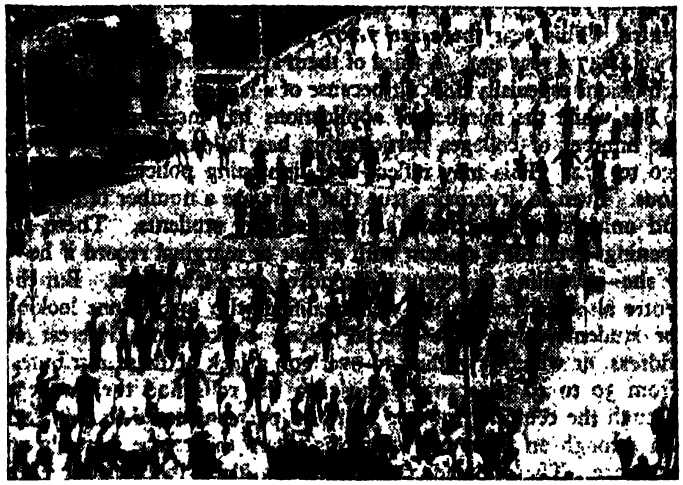
TOYO MENKA KAISHA, LTD.

2, Ohtemachi 1-chome, Chiyoda-ku, Tokyo
Cable Address: TOYOMENKA TOKYO

1, Koraibashi 3-chome, Higashi-ku, Osaka
Cable Address: TOYOMENKA OSAKA

Branches and Affiliates in Europe
London: Toyo Menka Kaisha, Ltd., 11th Floor, Lee House, London Wall, London, E.C.2. **Rotterdam:** Toyo Menka Kaisha, Ltd., Westblaak 37, Rotterdam-2. **Düsseldorf:** TOYOMENKA Import-und-Export G.m.b.H., Düsseldorf, Friedrich-Ebert Str. 31/33. **Hamburg:** TOYOMENKA Import-und-Export G.m.b.H., Hamburg 36, Neuer Wall 34. **Milano:** Toyomenka (Italy) S.P.A., Corso Venezia 14, Milano. **Paris:** Toyomenka France S.A., 8, Rue Saint-Florentin 8, Paris-1. **Barcelona:** Toyo Menka Kaisha, Ltd., Liaison Representative Barcelona, Calle de Urgel 35, Barcelona

de facto segregation, in contrast to the *de jure* segregation which southern states have tried to enforce legally.) The latest move by the civil rights front has been to ask the federal Office of Education to deny funds to Chicago's tax-supported schools on the grounds that they are racially segregated and that less money is spent on the schools in Negro areas. The agitation against Mr Willis will gain an important new recruit next month in Dr Martin Luther King.



Marching through Chicago

In Boston also the controversy over *de facto* segregation is blazing away, although someone has happily renamed it the problem of "racial imbalance" in the schools. Here too a complaint from a civil rights group has brought in federal investigators to see whether the heavy concentrations of dark-skinned pupils in many of the city's schools constitutes the racial segregation outlawed by the Civil Rights Act. If the investigators should decide that it does, Boston could lose $4 million in federal funds which, under the terms of the Act, cannot be given to cities or institutions where discrimination is practised. The Boston School Committee is hopping mad at this latest intrusion into its domain. Already the state government is considering a Bill—aimed at Boston—to withhold state funds from local school systems where the racial mix is not sufficiently homogenised. Earlier this year a special legislative advisory committee put Boston on the carpet for having 55 schools with predominantly non-white enrolments. Notoriety, however, has not changed the course of the conservative-dominated School Committee; recently it sacked a young temporary teacher for reading to his Negro pupils a poem about a wicked landlord.

Liquidity in Commission

LAST week President Johnson appointed a strong commission to advise the Secretary of the Treasury, Mr Fowler, on steps to safeguard international liquidity—the supply of international credit; this is theatened by the efforts of the United States and Britain to eliminate the deficits in their international balance of payments. The commission's chairman is Mr Dillon, Mr Fowler's predecessor at the Treasury, and its members include Mr Robert Roosa, the able former Under Secretary for Monetary Affairs, and Mr Bernstein, author of the plan for a composite reserve unit for international finance. All three favour a reform based on the existing structure of the International Monetary Fund.

What may be even more important is Mr Dillon's statement three weeks ago that there was time to consider the issues fully, but no longer time to dally. The American balance of payments was in surplus in March, April and May; newspaper reports suggest that for the first six months the deficit, seasonally adjusted, fell to about $500 million. If the second quarter's trend is even approximated in the next six months, the United States will have gone far toward eliminating its international deficit. At the same time there is no prospect of early relaxation in the efforts of Americans to strengthen their international balance of payments. Mr Fowler is believed to think that relaxation will not be in order until the balance has been in equilibrium—or surplus— for at least a year. He emphasises the strains which have to be faced in the months ahead: the failure of exports to rise as fast as imports which makes probable a fall in the trade surplus compared with last year; the exodus of tourists in defiance of the Administration's pleas to them to stay at home and the failure of Congress to make more than a small cut in the purchases which they may bring back duty-free; and the dollar drain of operations in Vietnam and the Dominican Republic. Moreover, in Mr Fowler's view the fact that America's international payments are being brought back into balance is not responsible for the sinking feeling abroad.

Choosing the Few

FROM A CORRESPONDENT IN EVANSTON, ILLINOIS

AMERICAN universities which can afford to be choosy take one out of every six qualified applicants. They do not even count the unqualified whom they refuse. But rejection rates are rising everywhere; at the University of Illinois, for example, no fewer than 7,500 will be turned away next autumn, one for every first year student admitted. Back of such dismal statistics are a set of complex variables which reflect not only the increasing pressure for college and university places but regional and sociological trends as well. An intelligent Negro, for example, may very well have an edge in many institutions over an equally intelligent white applicant. (Outside the South it is very "in" to get bright Negroes.) A clever boy from a small town in Kansas may be preferred to a clever Vermonter (certainly to a bright New Yorker) by an eastern college seeking geographical diversity.

The standards which colleges set for admission can be divided roughly into three kinds. About six hundred institutions, mostly the state universities, have required up to now only graduation from secondary school and a set minimum of academic preparatory work. This led to many ill-qualified students dropping out after their first year. But even where state law still requires this "open door" policy, such institutions have found ways to make admission more difficult, especially for students from other states. Another two or three hundred colleges require applicants, as a rule, to take tests, usually of general ability rather than of achievement. They also require completion in the secondary school of a certain number of hours of work in English, foreign languages, mathematics, science and social studies. The average student in such institutions comes from the top one-fifth in his secondary school.

The third group are those with "competitive" admissions policies. These are the institutions commanding the market. Test scores are of the utmost importance and for practical purposes any one below 500 on a 200-to-800 scale is far outside the pale. Moreover, anyone in this competition must, for practical purposes, start with a "B" average in his secondary school and its quality and size will be used to weigh the grade average and the rank-in-class. Such young people are of Oxford-Cambridge calibre. Recommendations of teachers and counsellors are also of considerable importance. Those of former graduates may become part of the dossier.

At about this point a mystique takes over. Granted that the applicant is academically qualified—even intellectually so, if the distinction can be made—is he "the type"? Or if there are enough "types" around, is he a variant that will be welcomed? Harassed admissions officers put their incoming class together like a jigsaw puzzle: here is a piece to satisfy a rich graduate of the

college, here is one for the athletic director, here is one that recognises a student with intense drive but small creativity and another for a student with precisely these qualities in reverse. Some choices are obvious—such as a Negro of high intelligence who is both a scholar and an athlete. But farther down the line the criteria change from year to year and are often secret—or at least do not spring to the eye. Being the daughter or son of a graduate or coming from a "right" secondary school is supposedly of dwindling importance.

Even at the less selective institutions, however, wisdom in the admissions office begins with test scores. If tests do nothing else, they screen out the academic dregs (or what are assumed to be the academic dregs). There are two tests in general use. One is the Scholastic Aptitude Test (SAT), prepared by the College Entrance Examinations Board of Princeton, New Jersey, and used mainly in the East. It is a multiple-choice "objective" test, but many secondary schools use a supplement from the same source, the Achievement Tests, which do require some writing in English and other languages. The other test, more popular in the West, is the American College Testing Programme, ACT, which originates in Iowa City, the site of the state university. This is also an objective test and is distributed under contract by Science Research Associates, which recently became part of the International Business Machines Corporation.

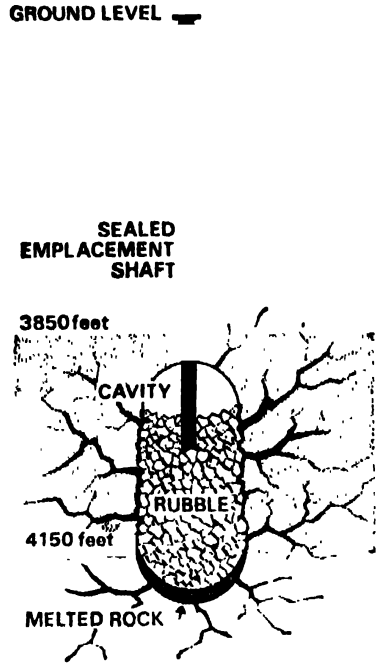
The objective tests are taken in the two years before graduation and provide an evaluation of verbal and mathematical ability; good secondary schools often give both of them plus the Achievement one. The results brand the student as clearly as the eleven plus does his British counterpart at an earlier stage. But in the United States the pupil who has not done well on ACT or SAT still has a chance to attend the American equivalent of a red brick university or at least a community junior (two-year, non-residential) college—anyway, something called "college" in the common usage.

For the students with a low score, for the nervous and for those who fear that their religious background will be a barrier, there are at least three clearing houses that offer "admissions insurance." The largest and best, in Evanston, Illinois, is the College Admissions Centre. A non-profit service of the Association of College Admissions Counsellors, the centre, for a fee of $15, lists the names of secondary school graduates (as well as students seeking transfers from one college to another and some foreign students seeking a place). Before trying the centre some applicants have sent out as many as fifteen applications; they may have been rejected by all or may just be too anxious to wait for answers, preferring the advantage of a true "multiple listing." On the other side of the equation, colleges from thirty-seven states use the services of the centre. This year there are 7,107 names on the rolls, compared with 4,347 a year ago. A third of them are women, who are finding admissions especially difficult because of a lack of housing for them.

But while the number of applications has increased markedly, the number of colleges participating has fallen from 183 a year ago to 172. This may reflect ever-tightening policies on admissions. Even so, it remains true that there are a number of colleges and universities which are actively seeking students. There are openings even for a student with a poor or marginal record if he—or she—is willing to accept a second or even tenth best. But the centre also matches up the well qualified with institutions looking for students with some special talent, background, interest or address, or which is willing to overlook a lack of these attributes. From 30 to 40 per cent of those on the rolls find their college through the centre. Another 20 to 30 per cent could, but in fact win through on their own; for this group the centre is really an insurance. The remainder are either considered hopeless by even the most lax of the institutions on the other side of the "talent exchange" or drop out of the race, perhaps for financial reasons.

The centre, it should be explained, is only a vehicle. It neither counsels nor selects; it simply provides the information about an applicant. But when an institution picks a name from the list it usually means business. When it invites the applicant to apply, it hopes that he will. Pellegra Junior College, which has over-expanded with the help of a cheap government loan and is now desperate for students, may not be Harvard. But for a student who has been rejected by the state university it is nice to be wanted.

Job for Atomic Energy



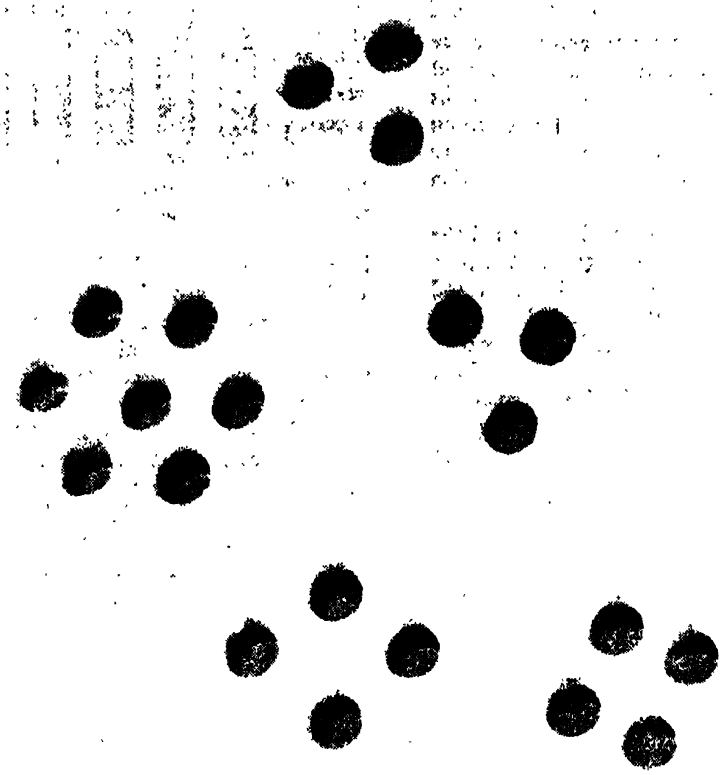
FROM A CORRESPONDENT IN COLORADO

The day is drawing near when industry and the government will turn as a matter of course to nuclear explosions for tasks which are beyond the power of chemical explosives. One of these tasks may be to increase the usable reserve of natural gas by fracturing the rock in which it is imprisoned. The El Paso Natural Gas Company, which supplies much of the West, is proposing that the government join it in such a project. With the Atomic Energy Commission and the Bureau of Mines, the company has just carried out a preliminary study under the name of "Gasbuggy." The company says that the technique, which would represent the first use of nuclear explosives for industrial purposes, might well increase the reserves of some fields of natural gas by as much as seven times.

The proposal is to explode the nuclear equivalent of 10,000 tons of TNT 4,000 feet below the surface of the San Juan basin of New Mexico. It is believed that such a detonation would be contained well underground, although the AEC would make extensive safety studies before going ahead. There are few people living within twenty miles of the site. The expectation is that the explosion would fracture the gas-bearing rock for miles in every direction and would create a large cavity into which the gas would flow much more freely than it does with the use of present methods—chemical explosions or forcing water into the rock under high pressure.

According to the AEC such an experiment, which is considered both practical and safe, could not take place for at least a year and would cost about $3 million; this is exclusive of the cost of the nuclear explosive, which would be contributed by the government. It might take another three years to determine whether the cost was justified by the increase in the flow of gas. But measurement of the release of atomic particles in an underground detonation might provide valuable information on the hazards involved in one on the surface. Other suggested uses of atomic explosions underground include the fracturing of oil shale and copper ore bodies, perhaps for extraction below the surface, breaking up ore in conventional metal mines and the creation of artificial caverns for storage or defence purposes.

how many groups to a WHOLE?



The whole being Mitsui. The groups being the number of allied companies making up this giant organization. And the answer to the question . . . plenty.

All Mitsui companies are self-contained and organized to offer industry and business, the world-over, the best possible services, materials and products. The very structure of Mitsui enables it to offer this in the most unique manner. Allow us to give an example: A customer in North America wishes to import lumber and cement. Mitsui will not only supply both, it will ship it . . . insure it and arrange all the other transportation. Each operation is handled by a separate Mitsui company . . . efficiently . . . satisfactorily.

Mitsui has an international network of trading services; offices and staff on every continent in the world. And the combined company activities encompass everything from banking, insurance and real estate to shipbuilding, chemicals, plastics and machine tools. The list in between is twice as long.

Maybe you've never heard of Mitsui before, maybe you have. Either way, we hope that learning a little about how many groups make the Mitsui whole will help you solve some of your business and industrial worries.

A Mitsui expert is waiting, not far away. Give him a call for some sound advice. (Telephone CITY 6454, Mitsui & Co., Ltd., Bucklersbury House, 83 Cannon Street, London E.C.4.)

MITSUI GROUP

Mitsui & Co., Ltd (Trading) ◆ The Mitsui Bank, Ltd. ◆ Mitsui Chemical Industry Co., Ltd. ◆ Mitsui Construction Co., Ltd ◆ Mitsui Miike Machinery Co., Ltd. ◆ Mitsui Mining & Smelting Co., Ltd. ◆ Mitsui Petrochemical Industries, Ltd. ◆ Mitsui Seiki Kogyo Co., Ltd. (Precision Machinery & Engineering) ◆ Mitsui Real Estate Co., Ltd. ◆ Mitsui Shipbuilding & Engineering Co., Ltd. ◆ Taisho Marine & Fire Insurance Co., Ltd ◆ Toyo Koatsu Industries, Inc. (Fertilizers, Chemicals & Plastics)

Summer of Opportunity

FOR officials of the Office of Economic Opportunity the long summer holiday which has just begun for America's children, leaving school rooms and playgrounds free and teachers with time to spare, means an intensification of their efforts to lift poor children of all ages out of the ruts of ignorance, illness and indifference to which their family background—or lack of it—has condemned them. A whole series of programmes during the next two months are designed to enable such children to benefit from the education which will be offered to them when the new school year opens, so that they will cease to pass poverty "on to the next generation like a family birthmark."

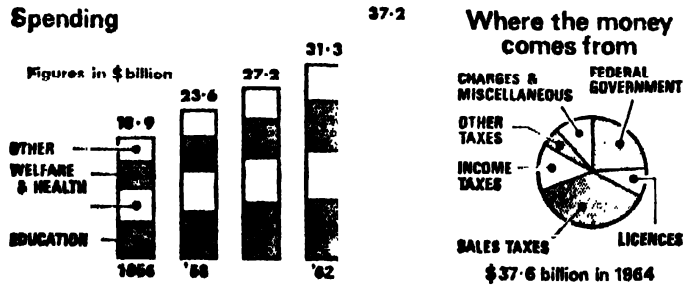
These were President Johnson's words when he inaugurated the much-publicised Project Headstart, under which 30,000 five-year-old children from poor homes will be given special mental and medical attention during the summer so that when they begin school in the autumn they will not be overwhelmed by the experience. Upward Bound is a related scheme to help older children, who are not doing as well as they could in school, to qualify for college entrance. Then there is the Youth Opportunity Campaign to provide summer jobs, particularly with private firms, to train young people for useful work in later life. To extend these and other similar efforts into the school year, which is probably essential if they are to have any lasting effect, President Johnson has just proposed a special National Teachers Corps, consisting of both experienced people and trainees, to supplement the established teaching staffs in overcrowded slum schools, so that children who need extra attention can be given it.

All this emphasis on youth, constructive as it undoubtedly is, leaves the officials in charge of the poverty war open to accusations of neglecting the older poor, particularly the really old. They are also being accused, most unfairly, of failing to deal with the fundamental causes of poverty and concentrating on turning children into middle-class citizens. The people who voice these criticisms are usually those who complain also that the poor are not being allowed to participate in planning the poverty programme. Arguments over the running of the programme at the local level are building up into a major political issue in many communities, notably in New York City. There a $16 million grant from the federal government was nearly lost altogether because Mr Rockefeller, the Republican Governor of the state, refused to endorse the city's scheme for setting up community action groups to manage the programme on the grounds that these would become "political clubhouses."

Where Taxes Pinch

MONEY which taxpayers no longer need pay to the federal government is not necessarily theirs to spend. While the authorities in Washington have been cutting taxes those in the state capitals are having to raise them. State spending has been going up faster than federal expenditures; it has more than doubled in a decade and is continuing to rise with the growth of the population and the demand for better schools and more services. Most State Legislatures have now finished this year's work; for over half of them it has included a painful search for sources of new revenue. In many cases this has meant charging sales tax at a higher rate or levying it on a wider range of goods and services—such as the letting of rooms in hotels or motels. The sales tax is to the states what the income tax is to the federal government and the property tax to local governments. Competing as the states do for industry, they are reluctant to tax business profits; they prefer to tax the consumer, through levies on cigarettes and petrol and general sales taxes. One state, Nebraska, has just

STATE FINANCES*



** Excluding debt redemption and revenues and expenditure of social security funds and state-run off-licence establishments.*

introduced taxes on the incomes of individuals and businesses, while two—New York and Idaho—have brought in a sales tax.

For all this fiscal torment the states are better off than they were a few years ago. Thanks to prosperity only ten finished the last fiscal year in the red, compared with sixteen in 1963 and twenty the year before. It is not long, for example, since Michigan was staring bankruptcy in the face but today, with the motor car boom, it has money in the till and, shortsightedly, no longer treats fiscal reform as urgent. As a whole the fifty states enjoyed a surplus in 1964 of $2.6 billion—the third surplus in a row. But this was due mainly to lower calls on unemployment insurance trust funds (which are excluded from the chart). There is no question that the states could spend larger federal grants if the scheme to give them a share of the prospective surpluses in the federal Budget were taken off the shelf.

California—the most populous state—had the largest revenues and the largest expenditures last year. This year its budget is even larger and it has had the biggest and bitterest quarrel over how to finance it. The dispute, as is becoming common in Sacramento, the state capital, lay between two Democrats, Mr Unruh, the ambitious Speaker of the State Assembly and the Governor, Mr Brown. When Mr Unruh's scheme for reforming the state's system of taxation fell through, he responded by killing an increase in cigarette taxes, leaving the budget about $100 million out of balance. But the story has had an unexpected ending. Governor Brown, usually so amiable and inept, has brought the Legislature to heel by threatening to cut popular expenditures and by calling the legislators back in a special session to face the public outcry.

SHORTER NOTES

The Senate has given its assent to the compromise Bill worked out with members of the House of Representatives requiring that, after next New Year's Day, cigarette packets must carry a label warning that the contents may be harmful to the smoker's health. The Bill, however, does not specify where on the packet this message shall appear; neither does it require similar warnings in cigarette advertisements until mid-1969. The impetus for the legislation—the US Surgeon General's Report of January, 1964, on the hazards of cigarettes—seems to have had no lasting deterrent effect on America's smoking habits.

Mr LeRoy Collins is to succeed Mr Franklin Roosevelt, Jr, as Under Secretary of Commerce. Mr Collins has a remarkable record of racial conciliation as director of the Community Relations Service; this was created a year ago under the Civil Rights Act of 1964. As the service is a division of the Department of Commerce Mr Collins will not lose touch with it in his new job.

Edgar Allen & Co. Limited will conduct feasibility surveys anywhere in the world—here field engineers begin work on a project in Pakistan.

EDGAR ALLEN & CO. LTD. [illegible]

[illegible]

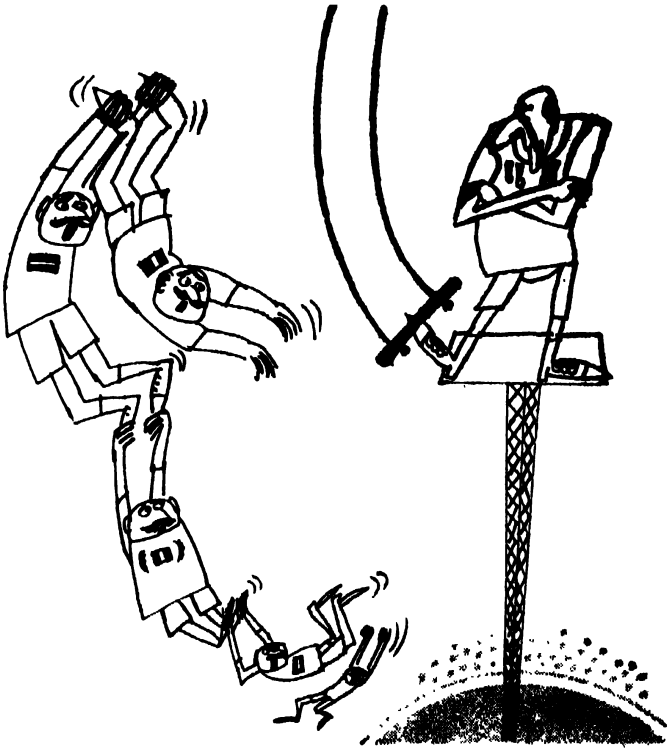
EDGAR ALLEN [illegible]

Materials processing is Edgar Allen [illegible]

[illegible]

The General gives the Five the boot

FROM OUR PARIS CORRESPONDENT



HEADS I win, tails you lose. General de Gaulle has entered the European battle convinced that, whatever its outcome, he will be the winner. The hostilities have already begun ; any illusion that the crisis provoked by the Brussels deadlock on June 30th would be as routine as its many predecessors was quickly shattered. By Tuesday, the French government had recalled from Brussels M. Boegner, its ambassador to the European communities. It was made plain that France will boycott not only the European Economic Community, but also the Coal and Steel Community, Euratom and even the group preparing for the Kennedy round of tariff negotiations in Geneva. Only a skeleton French staff was left behind in Brussels to deal with immediate matters and, perhaps, to keep an eye on the five partners.

Europe, as it is now fashionable to say in Paris, has been put into deep freeze. Either France's partners, particularly the Dutch, the Italians and the Germans, mend their ways by finally accepting that a united Europe can be built only on gaullist terms ; or the European idea will freeze to death and General de Gaulle will be rid of a stateless, supranational body that was bound, in his opinion, to gravitate within the Atlantic orbit.

It is worth remembering that, originally, General de Gaulle was the arch-enemy of the Rome treaty. He changed his mind when he came back to power in 1958. But his apparent conversion was dictated by political calculations: since France, alas, was no longer powerful enough to put its president on a par with the Russians and the "Anglo-Saxons," the leadership of a continental coalition would have to provide the status. This grand design had its hour of glory in January, 1963, when Britain was kept out of the common market and the Franco-German treaty was signed.

But the hour of glory also marked the start of disillusion. Ever since then, the general has been measuring the folly of his assumption that Germany could be used as a junior partner in a policy disapproved of by Washington. The Franco-German honeymoon did not last. Conflicting attitudes towards Nato and the multilateral nuclear force threatened a divorce, and relations have grown more and more tense. To scare his partner, General de Gaulle made his first serious overtures to the Russians at his press conference in February. He can no longer be confident that Europe will allow itself to be shaped into the political instrument he wants it to be.

But during the six and a half years of its existence the European community has become an economic reality. The dismantling of tariffs and the prospect of a customs union have precipitated the process of integration. The draft of the fifth French plan (covering 1966 to 1970) is based on the assumption of the continued development of the common market. So are the calculations of the main French industrialists. By now, nearly half France's trade outside the franc area is carried on with its five partners. Economic ties have become binding ; moreover, the community offered the hope of a solution for French farming.

France has more arable land than any of its partners. The farming population is decreasing rapidly (by now it accounts for less than a fifth of the total labour force) but agricultural output is increasing. The community was to provide the outlets for the surplus. French farm prices are, on the whole, among the lowest in the community and the government agreed to bring them gradually up to the average level. But it expected financial compensations for the inflationary pressures that this would have meant at home. The essence of a common agricultural policy was to penalise countries importing food from outside the community and to subsidise, if necessary, exportable surpluses. France was bound to be the main beneficiary. So no wonder it was the main promoter of the agricultural common market and fought hard for the signing of a financial agreement. The community was to pay part of the social cost of France's agrarian revolution.

It was in this French interest that the Brussels commission saw its opportunity. In the proposals it put up last April it tied an agricultural common market—prices, fund and all—to a reinforcing of the European institutions, in particular the European Parliament. The French government reacted, at first, as if it preferred skilful fencing to a direct clash. With its customary adroitness, Paris began to unwrap the poisoned sweet from Brussels. French delegates arrived in Brussels last week armed with concessions.

And yet, during the night of June 30th, M. Couve de Murville, the French foreign minister, called it a day even before the issue of the European Parliament and its powers of control was reached on the agenda. The official French version is that when the Germans sided with the Italians and the Dutch it was useless to go on: hours or even days would not have been enough to reach a solution. The unofficial version is that M. Couve de Murville had strict instructions from the general to teach a lesson to the *Jean-foutres* (the contemptuous and highly impolite epithet the general has used for the "Europeans"). With majority rule within the community approaching, and divergences in foreign and defence policy widening, it was thought necessary to warn the partners that General de Gaulle had no taste for their kind of Europe.

One illusion that should be dismissed is that the general will

be forced to yield or to compromise because of internal pressure in an electoral year. President de Gaulle is certain to be re-elected. His foreign policy of national independence and struggle against the "American hegemony" is popular, and the Brussels conflict will be presented in this broader context. Already efforts are being made to show that the trouble arose because, while French ministers were fighting for their farmers, some of their partners refused to keep their word. If M. Pisani, the minister of agriculture, had resigned, as rumours from Brussels had it, the operation would have been more difficult. But M. Pisani is still in the cabinet. As for those industrialists who immediately expressed their concern, they will be told that France is not leaving the community or going back on what has been achieved. Even M. Maurice-Bokanowski, the minister of industry, who on July 4th spoke of the community in the past tense, has made it plain that there is no question of putting up French tariffs (this is a dangerous game that can be played by others as well). France merely leaves an empty chair.

French officials are getting ready for a long war of attrition. They calculate that since the general is less keen on the common market than his partners, it is the others who will have to yield. They point out that there has already been talk of concessions and of bilateral talks. The general has made his move and it is now up to the other side to play. Only if the Germans, the Italians and the Dutch refuse on this occasion to yield, and indeed decide to launch a counter-offensive, will the general have to think again. Then, but only then, will he have to decide whether to smash altogether his grand design of a continental coalition.

French farmers' reaction is described on page 164.

SOUTH VIETNAM

Will the metal hold?

Marshal Ky : troupe leader

General Minh : popular but lazy

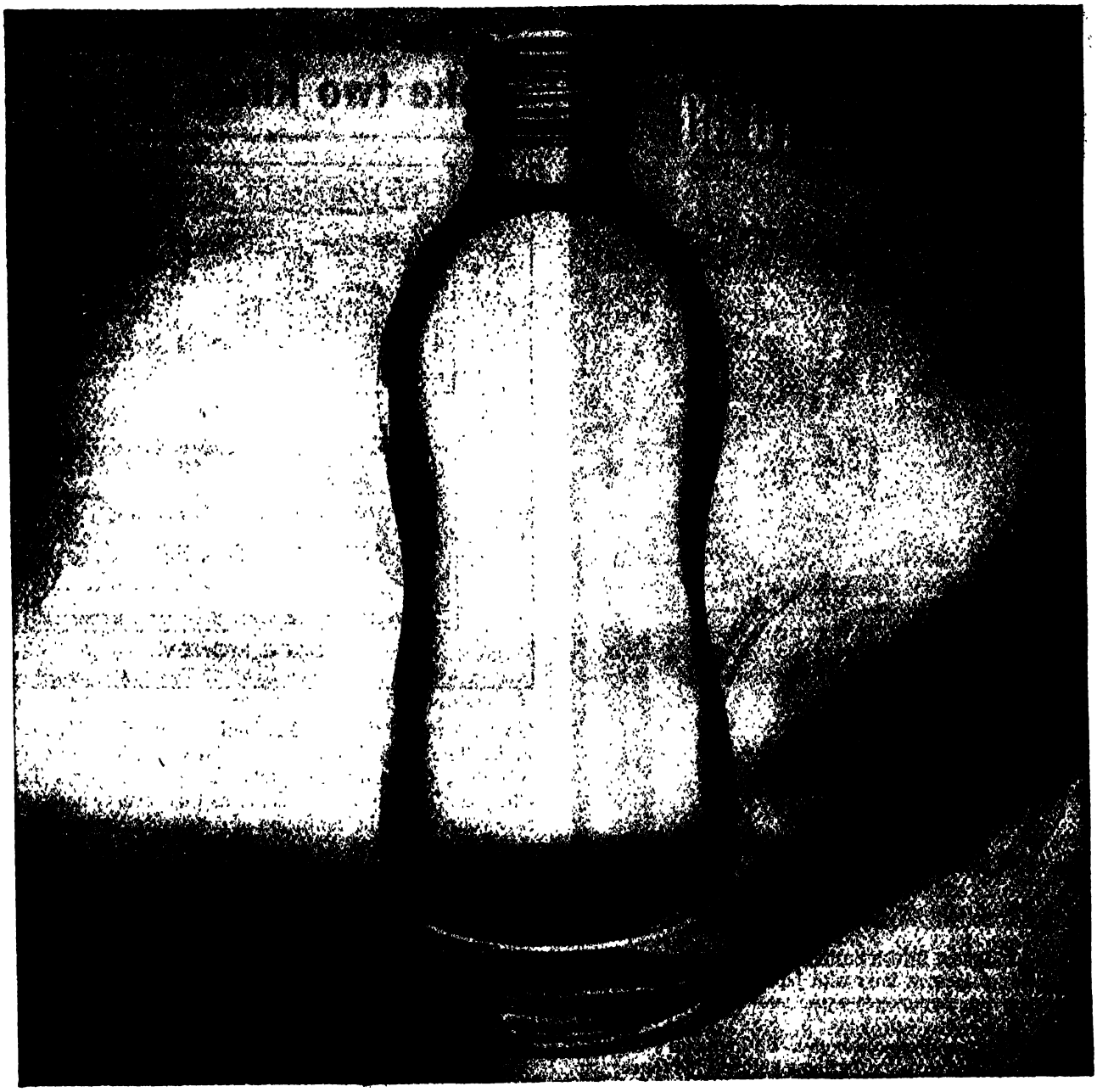
FROM OUR FAR EAST CORRESPONDENT LATELY IN VIETNAM

"ALL I hope is that we can get Camranh port ready before the bastards take Natrang," said a tough American military adviser in Binh Dinh province this week. His crack sets the current mood for South Vietnam, where heavy blows and grievous casualties loom under the monsoon clouds for the next two months. The Vietcong are dug-in in Zone D (north-west of Saigon) and American marines and Australians are beginning to learn the tricks of jungle combat the only way—the hard way. The Vietcong are administering most of the Mekong delta and are ferociously on the loose in the central highlands. The South Vietnamese army is tired and weakening and new drafts are ill-trained. North Vietnam can still outpace the United States with reinforcements. The new government, under its articulate air force chief, Marshal Ky, who protests that at heart he prefers art to bomber raids, is making brave noises and brave threats but popular response is still passive.

This having been said, one must turn to the more positive side of the picture. Everybody now accepts that the Americans are in South Vietnam to stay, that they cannot be thrown out of their coastal enclaves and that they will blandly ignore any "surrender" government that may try to seize official "power" in Saigon. The events of the next two months, when the communists may well take control of the central highlands including most of the coastal province of Binh Dinh, could influence the bargaining position at a negotiation table, and the date of those negotiations, but they will not win either victory or a decisive and lasting step towards victory for the invaders. And "invaders" is the correct technical term for the guerrillas in the central highlands, where the initiative is held by at least three identified North Vietnamese regiments.

Morale is higher the farther one gets from the cynicism and expedience of Saigon. There is a strange, and it would seem unwonted, calm in arcadian Kontum and bustling Pleiku, both of which are virtually beleaguered garrisons. The American military advisers are seasoned professionals who have realistically assessed the military situation, who know that reinforcements are essential but who will stand and fight beside the tougher elements of the weary South Vietnamese army. Their mandate was "to hold and clear the territory." They cannot possibly clear the territory in present circumstances; indeed they cannot even hold it outside their base headquarters—where they may be overrun. But they will stand and fight to the end.

The menaced headquarters are Kontum, Pleiku, Phu Bon and Qui Nhon. The last, the capital of Binh Dinh province, has been



36.24.36.

Quite a shape.

A lot of the containers we're asked to make at United Glass have interesting shapes.

But not all of them are efficient designs.

Sometimes there is a potential weakness in the container wall. Or the shoulder angle is too sharp.

United Glass can see these faults while your packaging is still in the design stage.

And often, only an imperceptible modification is needed to make a good package out of a potentially bad one.

United Glass has an outstanding team of designers who know as much about glass as they know about package design. A lot of packaging people like to talk to them while their new container is still in the planning stage.

This makes a lot of sense to a lot of people.

Our design service is just one of 10 good reasons why so many packagers come to United Glass.

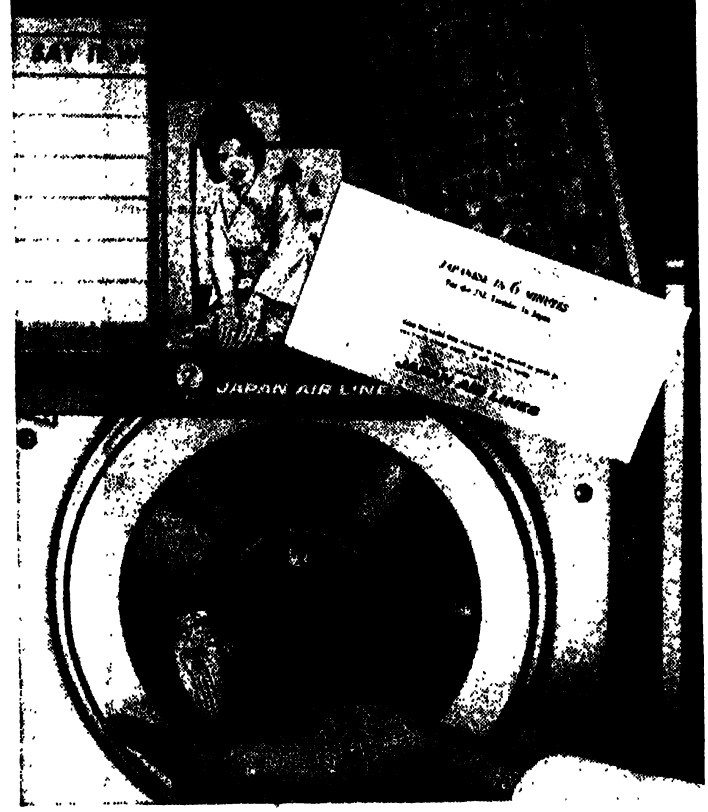
If you'd like to hear about the other 9, give us a call.

You'll find we have a lot more to offer than just an eye for a pretty shape.

UNITED GLASS

Kingston Road, Staines, Middlesex. Tel: Staines 51321

JAL SHOWS WHAT TO SAY AND WHERE TO GO IN JAPAN



Nowadays, more and more British businessmen are going to Japan to open up new fields, forge new links with Japanese concerns. Yet the success of your trip can often hinge on your knowing some of the local customs.

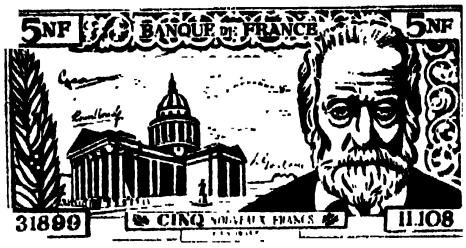
For this reason JAL have produced both a 'Businessman's Guide to Japan' and a gramophone record of Japanese phrases vital for the trip. In the guide you'll find lists of Banks and their addresses. Notes on importing and exporting goods. Good hotels. How to entertain in Japan and how you'll be entertained. Rules of etiquette. Everything. The record will help you perfect your Japanese phrases. And with every record comes a phonetic version of the phrases to give you even greater assistance.

Both guide and record are part of the superb JAL service you get when you intend flying to Japan. Also coming with the airline ticket is typically courteous Eastern service, comfort and marvellous food. You arrive in Japan feeling fresh and ready for work. *Please write for your FREE copies of the guide and record to Dept.* 8.

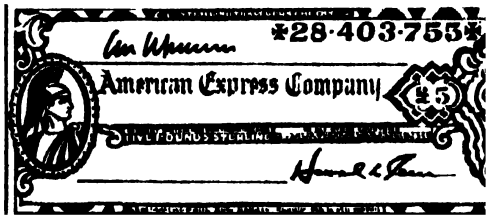
JAPAN AIR LINES

8 Hanover Street, London W1. Tel: Hyde Park 3831

The Paris flea-markets take two kinds of money



MONEY



SAFE MONEY

Go on a round-the-world shopping trip. The flea-markets in Paris. The Egyptian bazaar in Istanbul. The gift shops in Sausalito, California. And take American Express Travellers Cheques. They're as spendable as cash everywhere. And you save yourself all the confusion of constantly changing currency.

Safe money

American Express Travellers Cheques are much safer than cash. If they're lost or stolen, go to any American Express office—there are over 400 round the world—and get a refund. Often in less than an hour. Or apply to any one of hundreds of travel agents authorised to act for American Express. No cables home. No need to call the Consul. (No other travellers cheques give you a faster refund.)

Complete protection

And, with American Express Travellers Cheques (unlike most other travellers cheques), you're completely protected against the loss from the moment you report it. If the missing cheques are cashed without your authorisation, don't worry. As soon as you notify us, *we* take all responsibility.

American Express Travellers Cheques are available in sterling denominations of £2, £5, £10, £20 and £50. Or if you prefer—$10, $20, $50, $100 and $500 (dollar cheques are essential for travelling in the U.S.A.). American Express Travellers Cheques cost only 1% above their face value. That's pretty cheap insurance. And they're valid *indefinitely* (subject to Bank of England regulations).

Get them from your travel agent, bank or direct from this address:
The American Express Company Inc., 6 Haymarket, London, S.W.1
Offices also at Belfast, Birmingham, Dublin, Edinburgh, Glasgow, Liverpool, Southampton.

AMERICAN EXPRESS

reinforced by a thousand American marines this week. This belated and partial restoration of strength may preserve a perimeter on the coast but it could also divert enemy concentrations against the other three provincial capitals. There are refugees from seized and abandoned hamlets in Pleiku but at least one village recovering sturdily from a hit and run communist raid has petitioned for the return of its village chief and has sworn to continue to fight.

In some areas the Americans are concerned about the uneven qualities of the South Vietnamese army ("give us more round-eyes") and many advisers insist that there should be a unified military command, which would mean in effect American control. The tragedy in the beleaguered outposts is the continuing lack of human contact between the Americans and the South Vietnamese. There is, all agree, no real security problem inside Pleiku or Kontum—such as there undoubtedly is in Saigon. The only disturbances occur when South Vietnamese paratroopers or rangers back from a hard stint in the jungle seek cultural relaxation in the bars and bordellos. But the allies are still separated by the language barrier and by the curfew which brings all Americans into camp by 9 p.m.

Another complaint is that there is "too much remote control of the war from Washington." To which the further observation might be furtively added by an old desert war correspondent, however traitorous to his own trade, that American press briefings on military action are too explicit and respectful and that they tend to inform and aid the enemy more positively than they inform and comfort homeside readers.

In the final showdown there must of course be a durable government in Saigon. Maybe the Ky government will make its mark but it looks like a passing troupe. There is strong insistence by intelligent South Vietnamese that only a popular civilian government can rally those parts of the countryside that have not yet fallen to the Vietcong, and draw supporters away from those areas that by compulsion or apathy endure Vietcong control.

The original group of courageous civilians who first challenged the late President Diem in defiance of army threats are now divided or in retirement. The new foreign minister, Dr Tran Van Do, and the former prime minister, Dr Quat, were once stalwart members of this group. They are now regarded as deviationists and Saigon gossip associates them with General Khanh, sulking at the United Nations. There are those who contend that General "Big" Minh, whose strong if indolent hand toppled the Diem administration (but who did not authorise the shooting of Diem), would still make an admirable head of state if he would consent to doff his army uniform. Now brooding in exile in Bangkok, he is the only South Vietnamese figure who commands popular support throughout the countryside. He has twice been refused re-entry into Saigon. His record for integrity and his prestige might conceivably make him an Asian Hindenburg in mufti for a civilian government and a revitalised army. But, his critical champions admit, he is so lazy.

There is a footnote to all this, with a moral. They have just put the cross back on the left steeple of Saigon's cathedral last week. It had fallen off. Initially there were the usual Saigon-type rumours of communist sabotage, Buddhist intrigue and the low-flying American aircraft. Actually the fault was found to be plain rust. When they restored the cross they also prudently strengthened the steeple with American material and, for good measure, made sure in the same way that the other steeple and cross would not collapse. Both crosses again dominate the Saigon skyline. There is a moral somewhere here for the "metal-fatigued" South Vietnamese army, so sorely to be tested in the coming months.

AUSTRALIA

When a spade is not a spade

FROM OUR CANBERRA CORRESPONDENT

SIR ROBERT MENZIES loves to strut the world stage, if he gets a chance, and Australians like to see him doing it. It gives them a mild kick to see their prime minister conversing with President Johnson and exciting the disapproval of the left wing of the British Labour party. But their enjoyment is tempered by the knowledge that Sir Robert may be putting his foot in it.

While in London for the Commonwealth conference he talked in ways that recall the days when he supported the Anglo-French attack on Suez in 1956. When he told the Australian Club in London that Australia was at war in Vietnam, and informed a press conference that Chinese communist influence had been growing in the Commonwealth, he exemplified the two sides of his personality: his bluff and often acute expressiveness, and his inclination to call a spade a spade, even if it is something else. "Perhaps I oversimplify," he said recently in the Australian parliament. "I am a great believer, when it comes to determining international obligations, in simplifying a

proposition so that it stands out stark and clear."

This is all very well, but some Australians are now asking whether the method is appropriate in the case of war in Vietnam. Apart from the embarrassment for the Commonwealth prime ministers, there are other difficulties. As the *Canberra Times* commented on July 1st:

> If by Sir Robert's analysis we are at war in Vietnam, then we are also at war in Malaysia. And if there is some slight doubt about whether we are at war with North Vietnam or the Vietcong or both, there can be no such doubt about the Malaysian affair: we are at war with Indonesia. But if we once start talking in those stark, uncompromising terms, the chances of preserving a relationship with Indonesia, which we so earnestly desire despite the recent escalation, begin to vanish swiftly.

This is sound enough: the view is shared by a good many people in Sir Robert's government, who see no future in continued fighting in south-east Asia and are aware that the small numbers of Australians committed to the fighting do not warrant too much bellicosity in official utterances. But it may be that Sir Robert has gauged the Australian mood better than his critics. The first group of conscripts has just gone into camp, accompanied by much press and radio attention, and it could be that the Australian liking for "boots and all" solutions will now be applied to south-east Asia. Public opposition to Sir Robert's policies has been slight and self-defeating. Nor is there any opposition to President Johnson's policy, except from predictable quarters.

The same is true of Sir Robert's wounding statements about other Commonwealth leaders. Australians could not care less about the Rhodesia issue. Africa is a dark continent; and even some of Sir Robert's official advisers are keen that Australia should not be involved there. British sensitivity about African opinion is simply not understood, nor is the degree of maturity of outlook that many African leaders have achieved.

GREECE

After the baby

FROM OUR ATHENS CORRESPONDENT

KING CONSTANTINE of Greece has had two causes of anxiety this week. He is facing the birth of his first child and the outbreak of his first political crisis. And this though people had hoped, when the young king came to the throne in March 1964, that his reign might mark the end of the bitter antagonism between the crown and the Centre Union, the ruling party of Mr Papandreou.

Certain adjustments had to be made in order to establish a modus vivendi. The prime minister, remembering his virulent invective against the throne in opposition days, leant over backwards to regain the king's confidence. He even agreed to appoint Mr Garoufalias, a conservative who enjoys the king's trust, as defence minister. In a sense this appointment was a guarantee that the new government's policy of "ideological liberalisation" would not be permitted to undermine discipline and loyalty in the traditionally conservative Greek armed forces.

For some time the arrangement worked admirably. But now a storm has suddenly blown up. Mr Papandreou, faced with a near revolt inside his party, has yielded to pressure and endorsed the party's demand for a purge of all right-wing officers whose allegiance to the government is in doubt. He asked Mr Garoufalias, who opposed the changes, to resign; the defence minister has refused to budge.

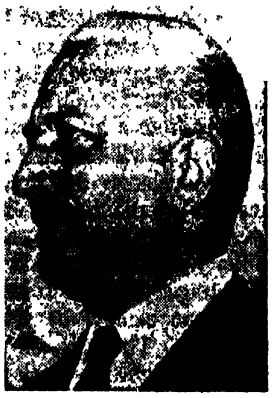
King Constantine obviously rejects any tampering with the army that might expose it to communist penetration. For the moment everything waits until the king and Mr Papandreou meet after the birth of the royal baby in Corfu. But both sides have stiffened their position so that a compromise is hard to reach without loss of face. The king has made it known to the prime minister that if the disagreement between them persists, the government will have to resign.

Government spokesmen have been saying that if the king sticks to this position, the next elections would have to ask the Greek people the blunt question whether they want their king to reign or to rule. Greek communists, falling in with this viewpoint, have proposed to the Centre Union that they should form a national front to fight the palace clique and the army right-wing junta. They are holding daily mass meetings of "committees of democratic salvation" and urging the trade unions to stage a general strike in protest against palace interference.

What brought about all this? The Centre Union, which has been torn by internal rivalries and has a traditional tendency to attribute its failures to political sabotage from the Right, was shocked to discover that some compromising military secrets were leaking through the opposition press. This was construed as a vast right-wing plot in the army to discredit the government. The paradox was that one of these leaks concerned the discovery of a secret society called "Aspida" (Shield) which had been set up by officers of leftist tendencies. The society has branches in Cyprus where many Greek officers serve in one capacity or another. In a secret report by General Grivas, again revealed by an opposition newspaper, it was said that this breach of military discipline had coincided with the visit to Cyprus of Professor Andreas Papandreou, the prime minister's son who holds the post of alternate minister of economic co-ordination. The opposition press, as well as one Centre Union newspaper, have openly accused the professor of being implicated in the Aspida affair.

Mr Papandreou

King Constantine



Mr Garoufalias

This is all now under military judicial investigation (with five army captains held incommunicado). But another scandal was to follow concerning alleged sabotage by communists in an artillery unit in northern Greece; again an inquiry has been ordered. These revelations caused a good deal of alarm in the palace. And the greater the alarm, the stronger became the political pressures on Mr Papandreou to proceed with the army purge.

Last week Mr Papandreou sought the king's consent to dismiss the defence minister and take over the post himself. The king replied that he felt his 77-year-old prime minister, already burdened with the education portfolio, should not assume additional responsibilities and that in any case he should take no action until they could meet. This was a polite way of saying that it would be improper for Mr Papandreou to take over the defence ministry while the investigation into "Aspida," and his son's alleged involvement, was still going on.

As the day of confrontation draws near, both sides have adopted extreme positions. The king seems prepared to accept Mr Papandreou's resignation and to disregard his demand for immediate elections (which the Centre Union would most likely win). Mr Papandreou, for his part, is once again threatening a constitutional upheaval. But these could just be bargaining positions. A possible face-saving compromise might be some less extreme step like a major cabinet reshuffle.

INDIA

Desai versus Shastri

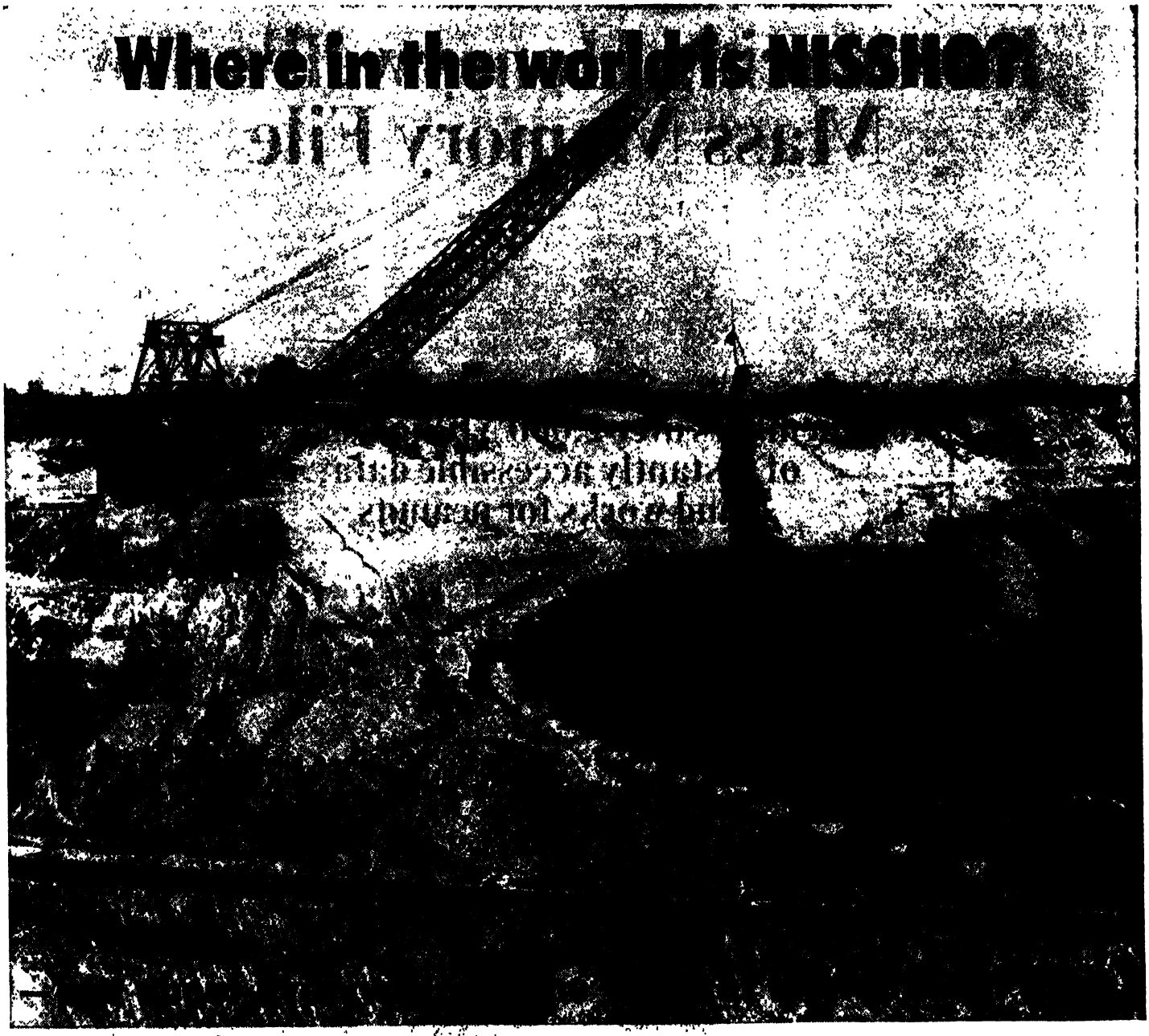
FROM OUR INDIA CORRESPONDENT

WITH general elections twenty months away, jockeying for position has begun inside India's Congress party. The rival factions' immediate aim is to capture the party machine which nominates candidates; this will ultimately decide who rules in New Delhi.

Mr Shastri, who has as keen an instinct for survival as anyone else, seems determined to prevent Mr Morarji Desai, who was his rival to succeed Mr Nehru, from gaining control of the party. This invests the choice of the party's next national president with a special significance. The post is now held by Mr K. Kamaraj, the redoubtable southerner who put all his weight behind Mr Shastri last year. Since then something like a Shastri-Kamaraj axis has been forged.

Mr Desai

Mr Kamaraj is due to retire in January, and is not eligible for re-election under party rules. Mr Desai wants the rule strictly enforced, for the simple reason that he wants the office either for himself or for



In Australia—Nissho's Melbourne and Sydney offices were instrumental in arranging a recent long-term contract—between Cia San Juan S.A. and seven major Japanese steel mills—for the import of iron ore from the Mt. Goldsworthy mines in Western Australia. Together with two other trading firms, Nissho will buy 16,500,000 tons of ore over the next seven years. Nissho's share alone is expected to reach a value of 10 million dollars annually.

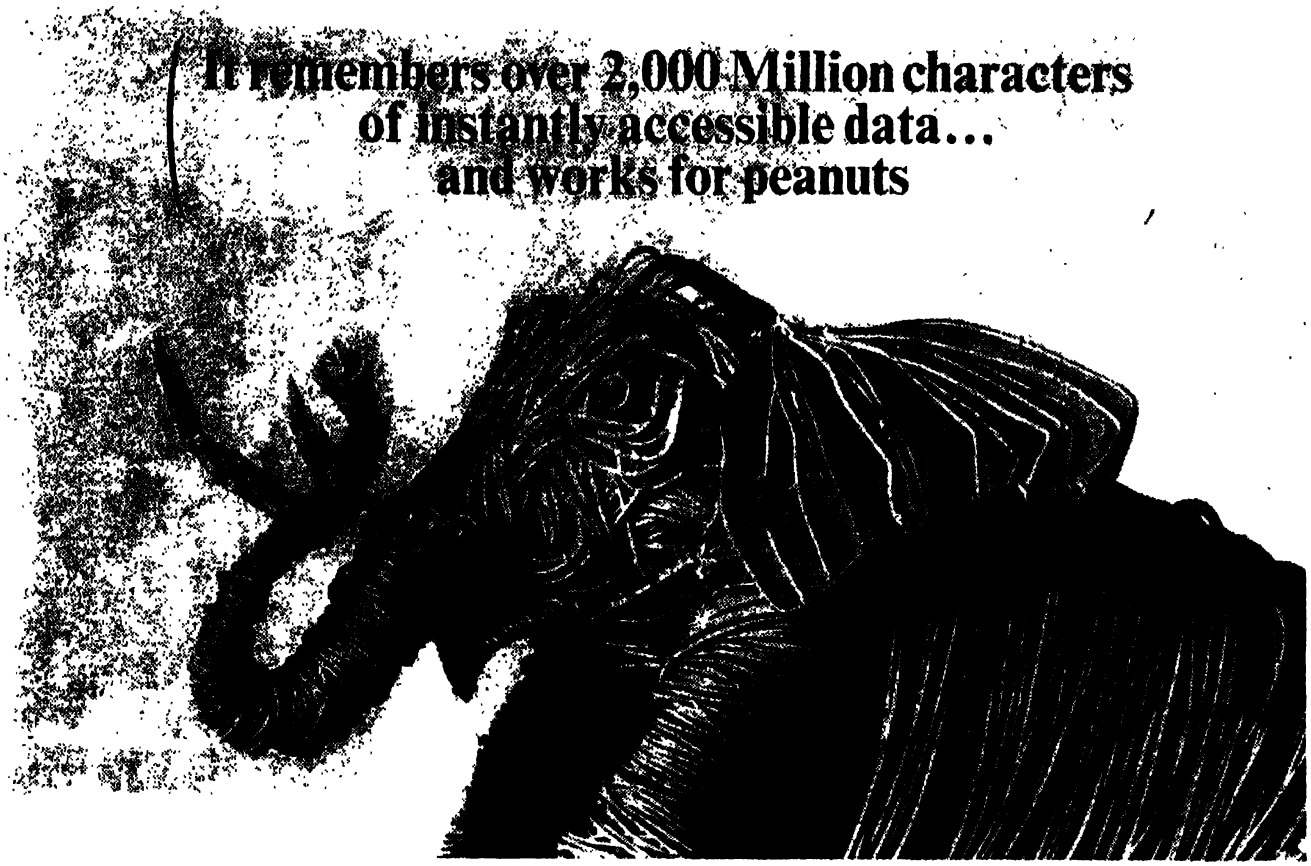
In over fifty of the world's principal trade centers there are experienced Nissho trade experts ready to talk business with you—whether your business be ships, metals, machinery, textiles, foods or general commodities. Why not have a talk with your local Nissho representative sometime soon. It could well be the most profitable chat you'll ever have.

General Importers and Exporters

THE NISSHO CO., LTD.

Head Office: Higashi-ku, Osaka, Japan Cables: NISSHOCONY OSAKA Telex: OS3264, OS3265, OS3361, OS3481 **Tokyo Office:** Tokyo Boekikaikan Bldg., Tokyo, Japan Cables: NISSHOCONY TOKYO Telex: TK2233, TK2234, TK2460, TK2538 **London Branch:** 40 Basinghall St., London E.C. 2 Tel: National 4991/8 Telex: UK 28302 Cables: NISSHOCONY LONDON **Overseas Offices:** Hamburg, Dusseldorf, Paris, Barcelona, Milan and 45 other major cities throughout the world.

Introducing Honeywell's new Mass Memory File



At the risk of starting a stampede, Honeywell announces that SERIES 200 computers are available with the most efficient mass-storage equipment in the business.

Is this a big deal?

Very big.

With SERIES 200's new Mass Memory File, you can store 15 million to 2.4 billion characters of data (enough to keep a sizeable record on every person in Europe) - and in milliseconds, pick out any record in the file.

Your data is stored on 3" x 7" magnetic-tape strips, handled at high speeds with the proven techniques pioneered in Honeywell's magnetic-tape drives.

Did we say something about working for peanuts? The Mass Memory File has the lowest cost per bit in the computer industry. Rentals start as low as £400 per month.

The Mass Memory File adds another powerful dimension to SERIES 200. And one more big reason for you to consider switching to a SERIES 200 computer. When you do switch, you can do it without any costly reprogramming or retraining. Honeywell has the exclusive "Liberator" which automatically converts 1401 programs, for example, to high-speed SERIES 200 programs.

And when you have a SERIES 200 computer, you know you'll never have a white elephant. You can't outgrow it—in mass memory capacity or in any other way. You just move up through the SERIES 200 line—gradually, economically, easily.

The thing to do now is talk with a Honeywell EDP representative. He has all the facts on SERIES 200 and the Mass Memory File. And he can help solve your data processing problems. It's his job to do that.

And he never forgets it.

Contact Honeywell EDP, Great West Road, Brentford, Middlesex. Telephone: ATLas 9191.

Honeywell

REGIONAL OFFICES: BIRMINGHAM: Sutton New Road, Erdington, Birmingham 23. Erdington 6271. MANCHESTER: Faulkner House, Faulkner Street, Manchester 1. Central 8737. SCOTLAND: Newhouse Industrial Estate, Motherwell, Lanarkshire. Motherwell 4145.

DATACENTRES IN LONDON PARIS FRANKFURT BRUSSELS AMSTERDAM AND ZURICH

one of his allies during the next two-year term. Mr Shastri's supporters are engaged in an out-flanking manoeuvre to get the rule scrapped at a party meeting later this month.

It is still not clear which way the voting will go. Mr Desai apart, there are other aspirants for the post. Among them is West Bengal's strong man, Mr Atulya Ghosh, widely regarded as the leader of the right-wing caucus that gave Mr Shastri powerful support in the leadership struggle in 1964. The caucus will have nothing to do with Mr Desai, for all his strong right-wing image, perhaps because it judges his chances slim.

The caucus might have felt differently only a few weeks ago at the height of the Rann of Kutch crisis. Mr Desai seized on the crisis to mount a formidable campaign against Mr Shastri. It was all very discreet: he himself never said a word in public, but his henchmen were busy equating Mr Shastri with Chamberlain, and working up something near national hysteria over Kutch. This accounted for Mr Shastri's inflexibility in negotiation, and for subsequent attempts by official spokesmen to make the compromise ceasefire agreement look like a walkover victory. While soft-pedalling of this kind may be unavoidable until Mr Shastri wins parliament's formal endorsement for the ceasefire, he now feels fairly sure that his peacemaking efforts have popular sanction.

The government's growing confidence in its ability to carry the country with it explains the plea President Radhakrishnan made last week for coming to terms with both Pakistan and China. Since he spoke in the context of the economic strains imposed by rising defence expenditure, it is fair to assume that the current economic crisis contributes to the desire for peace. But friendly persuasion is playing an equally important part, with Moscow and Cairo adding their voices to those of London and Washington. In this changing national mood, Mr Desai will, it seems, have less opportunity of making trouble.

His convictions incline him to international toughness, but they are reinforced by his search for tactical advantage within the party. He will, no doubt, press once again his charge of appeasement against Mr Shastri. But, as calmer emotions prevail, the party rank and file are more likely to remember their sharp differences with him over other issues, notably over language policy. Mr Desai has always favoured a quick change to Hindi, which automatically puts him out of favour with the non-Hindi-speaking majority, which far prefers the solution recently worked out by Mr Shastri and Mr Kamaraj.

It seems more than likely that Mr Desai's attempt to work up a revolt will fail. Basically, this will be because the reason that brought Mr Shastri to power still holds good: his ability to steer a middle course, which enables him to retain his hold on the majority both within the party and within the country. His year in office has been a troubled one. He started with a food crisis severer than any India has known since independence, followed by language riots and then by the Kutch crisis.

Even so, people are willing to grant that his problems are mostly inherited, and that his handling of them has become gradually more assured. The charge of indecision may occasionally be hurled as it was by Mrs Pandit some time ago, but party sentiment was not with her, and she dared not take her opposition too far. This was made plain when she stood down in an important party election in May at Mr Shastri's bidding. His growing authority gives him and his allies the ability to deal with the immediate challenge; it may perhaps enable him to make a decisive bid for power in 1967.

MEXICO

Rough arm of the law

FROM OUR MEXICO CORRESPONDENT

THIS may be the last year Mexican department stores and banks will be able to clap customers into their own jails. At present, almost any organisation, private or official, can get away with equipping a group of men with uniforms, guns, and badges, and calling them policemen, entitled to arrest malefactors and haul them off to prison. Because of the existence of these private police forces, a man can still be imprisoned for debt in Mexico. Hotels, as well as banks and shops, have been known to order their uniformed guards to bring in defaulters and keep them locked up until, through friends or in some other way, the delinquent customers managed to pay up. Shoplifters are also liable to wind up in the store jail.

Apart from these free enterprise police bodies, there are the police belonging to the ministries of health, interior, and hydraulic resources: the national railways; and *Petroleos Mexicanos*, the government petroleum monopoly. In Mexico City, there are the judiciary police, the park police, the highway police, the traffic police, and the secret service. Special police in blue uniforms have little flags on their chests showing what foreign languages they speak (some of those speaking English have the Stars and Stripes, a smaller number the Union Jack). Auxiliary police, in greenish khaki, take charge of your car if you park it, in exchange for a small tip (and park it for you, for a slightly larger one).

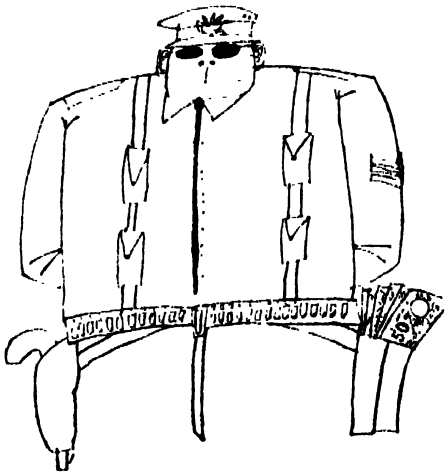
In a rare burst of legislative initiative, two senators of Mexico's ruling party, Señores Gonzalez Bustamante and Matos Escobedo, have promised to introduce into the next session of congress a bill to abolish all the multifarious police bodies, to outlaw private jails, and to set up a single police force for each state and for the Federal District. Both senators are retired judges, and thus have had plenty of opportunities to observe the workings of the present system.

The ordinary law-abiding middle-class citizen usually has little trouble with the police, except perhaps when he runs through a red light or is caught speeding. Such infractions are routinely settled with a small bribe for the policeman; rarely is an innocent driver held up. The bribes are generally believed to be shared with the policeman's superiors.

But police brutality to poor people and to petty criminals is reported virtually every day in the newspapers. In May there was a scandal over an affray in which two teenage layabouts were hunted down and shot to death by half a dozen drunken "auxiliary" policemen in a working-class suburb of the city. The boys were sitting chatting with friends in the street when the policemen came reeling out of a saloon, ordered them to start running, then began shooting. One of the boys was killed while kneeling to beg for mercy; the other ran into a house, but a policeman broke down the door and shot him. The guilty men have been arrested, though their chief at first refused to give them up, saying "Who's man enough to arrest my boys?"

In other recent cases reported in the papers, police clubbed a bricklayer returning home late at night because he said he did not have the ten pesos they demanded for not running him in; and police beat and shot a 16-year-old country boy whom they stopped on the street and accused of robbery. Out in the provinces, near Cuernavaca, a village police chief ordered his men to shoot to death a youth accused of having deflowerd one of the village girls; and the village of Santa Teresa in the state of Oaxaca was raided by a 40-man posse from the neighbouring state of Veracruz, who shot the place up and ransacked the houses looking for a man who had murdered a postmaster in Veracruz (they failed to find him).

Lumping all police into one organisation is unlikely to do much to remedy the real



faults, which spring from low pay and lack of training. The man who has done most to raise the quality of the metropolitan force is the mayor of Mexico City, Señor Uruchurtu, who was reappointed in December for his third six-year term. Seven years ago, Señor Uruchurtu founded the police Academy, with its rigid physical, educational and moral requirements. Little by little, at the rate of 100 to 150 a year, the young men from the academy, highly trained, well mannered, spick and span, are infiltrating the capital's police force. As they work their way up to command rank, and as the slovenly, pot-bellied old-timers go into retirement, Mexico City, at least, may eventually have a police force worthy of a great capital.

ARAB WORLD—I

Shallow waters turn rough

FROM OUR CAIRO CORRESPONDENT

THE Trucial Coast, one of the last patches of the Arab world under direct British political influence, seems destined to be a new source of Anglo-Arab irritation. Shaikh Saqr, who was deposed last month as ruler of Sharjah, has been busily seeing all the Arab ambassadors in Cairo and has announced his intention of putting his case to the Arab heads of state at their next meeting, due in Casablanca on September 13th.

The official British version of his deposition is that it was ordered by his own family council, exasperated by his 15 years of gross neglect and mismanagement of his miniature state. His unpopularity was such that the British political agent in Dubai was obliged to intervene twice to prevent his assassination by members of his family.

Shaikh Saqr's own version, repeated at great length at Arab League meetings and to eager Egyptian journalists, is that he was virtually kidnapped and bundled out of his country for the sole reason that he consistently refused to submit to British attempts to prevent him co-operating with the Arab League. For good measure, Shaikh Saqr adds that Britain is planning to withdraw its army and air force bases from Bahrain and Sharjah to neighbouring Muscat, leaving the seven Trucial States under the protection of Saudi Arabia. It is not difficult to guess which version of the story will be accepted in Cairo.

In Egypt the feeling has been steadily growing over the last year, reinforced by hints in the British press, that Britain has reached a secret understanding with Saudi Arabia's King Feisal for the mutual defence of Saudi and British interests throughout the Arabian peninsula. This would include King Feisal's agreement not to renew Saudi claims to the Buraimi oasis, and not to arm Imam Ghaleb of Oman to fight against Britain's ally the Sultan of Muscat. In return, there would be an understanding that when Britain leaves south-eastern Arabia, Saudi Arabia will take over the function of "natural protector" of Bahrain, Qatar and the Trucial States.

These Egyptian suspicions seemed confirmed last week when it was announced that the Saudis had already offered £1 million for Trucial Coast development. What is more, it has been agreed that this money should be handled by the newly established Trucial Coast development office in Dubai. But Saudi Arabia is a member of the Arab League's Persian Gulf committee, which has been refused permission to open such an office. The reason, or at least the official reason, why Britain has been so unwelcoming to offers of aid from the Arab League is that these offers were bilateral rather than regional and co-ordinated. This explanation is unlikely to convince either the Arab League or the Persian Gulf states.

Britain has offered another £1 million to the Trucial development office. Arabs say cynically that this is little enough compared with what the British oil companies expect to make out of Abu Dhabi, the one oil-rich Trucial State. The eccentric and parsimonious ruler of Abu Dhabi, Shaikh Shakhbout, has agreed to contribute to Trucial development, as have also the rulers of Qatar and Bahrain. A meeting of the seven Trucial States, together with Bahrain and Qatar, opened at Dubai on Wednesday.

The vital but doubtful factor in all this is Kuwait. Until very recently it was assumed that Kuwait would go along with the Arab League majority (led by Egypt and Iraq) and even move one step ahead despite Saudi disapproval. Kuwaitis seemed to enjoy their position as radical nationalist millionaires who could afford to offend whom they pleased (which generally meant the oil companies and the West). But earlier this week Kuwait failed to turn up at an Arab meeting in Amman which was to discuss further moves towards a common market between Iraq, Syria, Jordan, Kuwait and Egypt. On Wednesday, the Kuwait national assembly voted to withdraw from the common market talks for the time being. It seems that the chief reason for this is that a common market would make it harder for Kuwait to prevent "undesirable elements" from other members states from coming to live and work in Kuwait. Its withdrawal has been a severe blow for the common market idea.

Meanwhile Kuwait's powerful finance minister, Shaikh Jabr, left on Monday for Riyadh with a personal message from the Kuwaiti ruler to King Feisal. Officially his delegation will discuss outstanding frontier problems and joint Saudi-Kuwaiti investment in industrial ventures.

Coming at this time, the visit inevitably seems to have a deeper significance. In the past, Cairo has been prepared to promote Kuwait's claim against Saudi Arabia's to be the natural protector of the Gulf shaikhdoms. But if Kuwait were now to make a sharp turnabout and ally itself to Saudi Arabia, neither Cairo nor Baghdad would hesitate to join Syria's General Hafez in attacking Kuwait's "selfish millionaire shaikhs." The Kuwaiti government would not be able to achieve such a volte-face without strong protest from its own nationalists, especially now that they can express themselves in parliament. The Persian Gulf's shallow waters look like turning rough.

ARAB WORLD—II

Presidents kick out

SHAIKH SAQR'S tales provide the Egyptians with some relatively light relief. Otherwise the news coming to Cairo from its allies and protégés is disquieting. The presidents of both Yemen and Iraq, neither of whom is renowned for his ability, appear to have seized the reins of their respective governments; although both men are close to President Nasser, the consequences of their action are likely to be unfortunate for Egypt—and possibly for other countries too.

Common sense, and most Egyptians, insist that President Nasser's first interest is to disentangle himself from the costly and unhappy mess in Yemen. But if this is indeed so, it is hard to understand why he uprooted President Sallal from his retreat in Alexandria (where by all reports the Yemeni president was perfectly happy to linger) and packed him back to Sanaa. If there were ever a hope of the divided factions in Yemen coming together, President Sallal is the one man who can be guaranteed to split them up again. Because of his close associations with Egypt (if for no other reason) he is hated by the royalists and by neutrals, and distrusted by most of his own republican colleagues. Alexandria was, surely, the place for him.

But once back in Sanaa, the president started to govern—and to cut the ground from under his prime minister, Mr Ahmad Noman. In his nine weeks of office, Mr Noman has strenuously been trying to bring

peace to Yemen. His efforts included a tribal "peace conference" at Khamer in May, attempts to dilute Egyptian influence, and constitutional changes aimed at cutting down the power of the president. The "follow-up committee" to the Khamer peace conference has been functioning as a sort of consultative assembly. But all this was thrown to the winds when the president returned to Sanaa. Without informing his prime minister, he appointed a supreme council for the armed forces.

On July 1st, Mr Noman, who had gone to Cairo to protest against this, presented his resignation. A number of Yemenis made their way to Cairo to try to persuade him to change his mind. They saw in him the best hope of a compromise solution; the destruction of these hopes would be for President Sallal to take control. But by July 6th the struggle for power was over, at least for the time being. President Sallal has formed a new government with himself as prime minister, and with 13 officers to 2 civilians in his cabinet. Many of Mr Noman's followers, have been arrested. The war, it seems, is on again.

In Iraq, the immediate consequences of the changes in government will probably be less obvious; the repercussion, before very long, could be more disturbing. On July 5th, reports came through of several ministers being dismissed, and of others being placed under house arrest; the minister of information, General Farhan, had wisely slipped off to Cairo; the commander of the air force had been arrested. The arrested or sacked ministers were those who had been urging union with Cairo; the air force chief, General Razzak, holds strong left-wing views.

Mr Noman (left) at the Khamer Peace Conference

President Aref, who despite his friendship with President Nasser had come to be regarded by Iraqi "nationalists" as one of the obstacles in the way of union, seems to be trying to hold the country together with the help of the army (which is largely anti-Egyptian) and the two remaining strong men in the cabinet: the prime minister, General Tahir Yahia, and the defence minister. How long they can hold out is questionable. They will have the Nasserites, the Baathists and the Communists against them—and they are fighting what appears to be a losing war in Kurdistan. It looks unhappily as if Iraq were again on the verge of cruel turmoil. Against the possible consequences of this, the intrigues of the Persian Gulf read like bed-time stories.

SPAIN

Basque priests militant

FROM OUR SPAIN CORRESPONDENT

THE adult population of the travel-poster Basque village was about 500, the attendance at mass well over 300. Taking into account the sick, and the fishermen and poachers who had attended early mass, the turnout must have been nearly complete. But afterwards over a splendid lunch (all of it given by his parishioners), the priest said the time had come for him to leave; there was much work for him in the towns:

> Apostolic work, social work, perhaps political work. The three are inseparable. In the towns fewer people go to mass. We can win back the urban workers only by convincing them the church is on their side. So much has been done to convince them otherwise. And as a Basque I have a duty to defend my people's rights and culture . . .

The priest of a nearby parish was sheltering a young miner who had escaped from the police after being arrested for sticking up anti-government leaflets. "They did not treat me too badly," the young man said, "but they made me drink my bill-sticking paste—a whole litre of it. Next time I'll put rum in it." Three or four hill-tops away, the village priest was an "exile" who had been suspended from his urban parish, and left without resources for nearly a year, for preaching a sermon attacking the use of torture by the police. Several other priests in the area were among the 339 who signed the 1960 petition protesting against the "oppression, torture and brain-washing" of the regime.

Recent industrial strikes in northern Spain have been supported by priests. They took a leading part in organising the illegal mass rallies held to mark the Basque national day. Socialists who, in other parts of Spain, tend to be anti-clerical, generally think well of the Basque priesthood, and the proportion of workers attending mass regularly in many Basque towns is around 30 per cent, twice as high as in Madrid.

The younger Basque priests criticise the bishops, and the wealth and worldliness of certain religious orders, in Protestant-sounding language. Their radicalism owes something to Sabino de Arana Goiri, a writer whose centenary is being celebrated, discreetly, this year. Arana Goiri was against confusing Christianity with the church. Prophetically, he wrote: "If we seek to uphold the church by opportunistic means we shall drift away from religion." He deplored the political ties of the Catholic hierarchy and its neglect of the workers.

Elsewhere in Spain reformers gravitated toward Bakunin or Marx. In the Basque country, thanks largely to Arana Goiri, a link was established between radicalism and religion. Reinforcing and updating his message, an elderly Basque priest has published in France, under the pseudonym Juan de Iturralde, the first two volumes of *El Catolicismo y la Cruzada de Franco*, a disturbing analysis of the church's role in modern Spain. Smuggled over the Pyrenees, passed from hand to hand, the work has been read by priests, intellectuals and literate workers throughout northern Spain. It has brought Catholics both anguish and relief—relief that a priest should at last speak out on topics (such as the bombardment of Guernica) over which less scrupulous churchmen have tried to draw a veil

General Franco has publicly denounced "the excesses of certain Basque clerics." A few weeks ago the bishop of Bilbao sharply reminded parish priests that they must not omit from their services the prayer for the chief of state and the army. In the same diocese sanctions have been taken against priests associated with the Catholic workers' brotherhoods and a Catholic rural youth movement. But the priests are in a defiant mood. Without consulting their bishop, the incumbents of several industrial parishes in Viscaya read from their pulpits a statement denouncing "excesses frequently committed by the police." At the end of last month, 150 priests made a joint demonstration, distributing leaflets in the centre of Bilbao.

Few developments could cause greater embarrassment to a regime which has always prided itself on the excellence of its relations with the church. There are already rumours that concessions may be forthcoming on two issues of concern to the northern clergy: the use of regional languages in schools and the right to strike. The government has in fact published the draft of a proposed amendment to the penal code that would seem to allow the police to take a more lenient view of non-political strikes But the militant Basque priests consider it ambiguous; they refuse to be impressed until they have seen how it is to be interpreted.

BRITAIN

Incoming Tide?

MR SELWYN LLOYD last week proposed that no more Commonwealth immigrants should be allowed to enter Britain in a year than leave in the same year. Next week the Government is going to announce its own plans to restrict the entry of Commonwealth citizens to Britain: the present rumour is that it has decided to cut the number of Commonwealth workers by half, to 7,500—but that it has abandoned the pernicious notion (inherent in Mr Lloyd's suggestion) that the families of people established here should be excluded. Were Labour in fact—as was at one stage suggested—to limit all Commonwealth immigration to a ceiling of 10,000 a year, they would probably be going a great deal farther than Mr Lloyd. There is no information about how many Commonwealth residents (as opposed to tourists) leave Britain each year: it is almost certainly more than 10,000. Mr Lloyd was, however, probably not being deliberately unrestrictive. He had obviously not thought what he was saying. His speech is not yet, and never should be, official Conservative policy.

Several things need to be said about this inter-party race for the white sheet. The first is that any legislation or administrative act that deliberately separated immigrants from their families would be discrimination against the most fundamental of human rights. It would also, for obvious reasons, risk embittering relations between the native British and new arrivals—and by extension between white and coloured British residents.

Second, the economy clearly needs more workers. It needs them especially badly in this brief moment while the start of an incomes policy is being experimented with. There have been murmurs that the Government, to avoid accusations that it is excluding Commonweatlh immigrants in order to pander to the racists, is thinking of keeping out foreign workers too. Does it really consider what this would do to the tourist industry?

If, as Mr Wilson claims, there has been massive evasion of the provisions of the 1962 Commonwealth Immigrants Act, the remedy should surely be to stop the evasions, not to change the Act in the restrictive sense. An important proviso here is that nothing should be done to prevent Commonwealth students from taking jobs during their stay in Britain.

Furthermore, the assumption that the British people are in fact prey to the racial prejudices now attributed to them by politicians of both parties is highly questionable. In those (very few) constituences where race has been regarded as a special factor, there have certainly been a large number of other special factors. The important articles by Mrs Ruth Glass in *The Times* last week suggest that the problem is rather different from what has been assumed. If the Government knows that this distinguished sociologist is wrong, it had better explain how. If Mr Brown believes that the economy does not need more workers, he had better explain why.

Migratory Figures

Last year 14,705 Commonwealth citizens were officially admitted as workers to Britain.

Last year 42,584 aliens were officially admitted as workers to Britain. Of these, 18,920 were admitted for less than a year, will have to renew their permits if they want to stay.

The *net increase* in the population of Commonwealth origin in Britain in 1964 is put at 75,499: 406,601 came in, 331,102 left. The increase was made up of 23,508 men; 27,768 women; 24,223 children.

The largest net increases were from:

India:	15,513	of whom	9,351	were	women	&	children
Pakistan:	10,980	,,	,,	7,267	,,	,,	,,	,,
Jamaica:	8,548	,,	,,	8,098	,,	,,	,,	,,
Canada:	7,268	,,	,,	5,764	,,	,,	,,	,,
Australia:	5,562	,,	,,	3,903	,,	,,	,,	,,

The *net increase* in the number of Irish citizens in Britain last year was some 30,000.

In 1963 the net balance of migration showed Britain with a gain of 10,000 people. In the three months ending March, 1965 (the last period for which figures are available), 5,200 Commonwealth citizens with professional qualifications, special skills or specific jobs to go to were given leave to come to Britain. No other Commonwealth workers were given leave to come.

Off the Rails

THE National Union of Railwaymen held its annual conference this week. It was revealed that the union's president, and five of his colleagues on the union's 24-man executive, have been declared redundant. These men are fully representative of railway workers, whose numbers have been cut by over 22 per cent—from 514,500 to 399,000—between 1960 and 1964. The desirable process of modernisation on the railways has inevitably brought misfortune to some. The important questions for them are: how much misfortune, and how can it be averted for their successors in other industries yet to be modernised? The important question for the nation is: how can these men be most economically re-employed?

This is why a new study from the Department of Applied Economics at Cambridge* is important. The subject is the closing down of two railway workshops, in Manchester and in Darlington: valuable comparisons are made with similar studies, notably this author's analysis of a group of workers—mostly white-collar workers—thrown out of jobs in southern England.

One year after the two workshops had closed, only 15 per cent of those thrown out of work were still unemployed: of these, over half were by this time over the retiring age of 65. More than half of those who did get new jobs were in fact being paid more than they had received in the workshops. A clear majority appear to have preferred the new jobs into which they were impelled. Severance pay cushioned the financial blow to everyone. Personal distress seems to have been kept to a minimum. Only the old, the sick and the inadequate (for whatever reason) were hard hit on personal grounds by the closures of these outdated and inefficient railway works.

Nevertheless, the arrangements for guiding these people into new employment, for encouraging them to take a retraining course, or for seeing that this new trickle of labour into an overstrained labour market was channelled into a useful course, were ludicrously primitive. The Ministry of Labour is at present trying various progressive experiments in its labour exchanges up and down the country. In particular it is trying to separate the routine chore of paying out unemployment benefit from the constructive task of fitting spare workers to vacant jobs. It is also engaged on yet another wave of expansion of its training centres for adults.

The ministry has a long way to travel: in the cases of redundancy described by

* "Redundancy and the Railwaymen," by Dorothy Wedderburn. CUP. 20s.

Steamy argument . . .

Mrs Wedderburn, only 13 per cent of the workers affected got new jobs through its offices. Only just over half bothered to ask the employment exchange for help. Over a quarter did not know that training centres existed. Around half knew they existed, but did not consider attending one. There is a new breed of manpower planners within the ministry. This study of a specially simple sort of redundancy—carefully planned and long foreseen by a scrupulous employer—indicates so many things that they should be doing, here and now.

THE LAW AND THE PAPERS

Justice Undone

NEWSPAPER editors in Britain are frightened of the law of contempt of court, because they do not understand it and do not have time to find out what it means. They should be much relieved at a decision of Mr Justice Buckley last week: he dismissed a motion for contempt of court brought against the *Daily Telegraph* and its editor, after the paper had commented on a *sub judice* case about whether "sherry" is a copyright term or a generic description. The judge said that prosecution for contempt should only be brought where the risk of interfering with the proper course of justice is "real and grave."

In fact the judge was clearing up one of the most important points considered in a recent report* from a group of distinguished lawyers and journalists, respectively from Justice and from the International Press Institute. The committee, which recommends that newspapers should only be proceeded against for contempt on the authority of the Attorney General and in accordance with well-defined principles, also argues that newspapers, if they are to claim more freedom, should justify their claim by paying more constant and expert attention to what the courts are on about.

The committee, while rightly arguing that the machinery for preserving official secrets works rather well where national defence is concerned, nevertheless makes the obvious criticisms of the way in which certain government departments use the Official Secrets Act. This, of course, is common ground between the courts and the papers—the best condemnation of abuses in this field by government departments is contained in the judgment in the Grosvenor Hotel case, unmentioned here. The committee does little to clarify the important distinction between these two sorts of official secrecy.

On the matter of libel, the committee suggests that judges should be given more freedom to guide the jury in the course of their summing up, and that the Court of Appeal should be allowed to vary a jury's award of damages instead of being limited to the power to order a new trial. (But how could the court do this without, in effect, conducting its own new trial?) The committee also proposes a new defence for newspapers against whom damages are claimed for alleged libel—that of qualified privilege for statements made in good faith on matters of public interest. This might be argued for with some conviction if newspapers were less tempted to disguise malicious falsehoods about public persons as matters of public interest. This sort of privilege would only be acceptable if accompanied by a statutory definition of the right to privacy, as has been suggested by Lord Mancroft, and expressly rejected by the committee.

The real difficulty of editors confronted with legal problems about publication is, of course, a practical and not a doctrinal one. They are busy men, with a paper to fill. When told by their legal advisers that some doubt arises (and that is what legal advisers are paid for), editors—who are not specialists in the law—will always prefer to hold a story. A story held is often a dead story. This report contains some advice that all editors should have in their minds. It comes from a lawyer—Lord Atkins, giving judgment in the Privy Council: "The path of justice is a public way: the wrong-headed are permitted to err therein. . . ."

* The Law and the Press. Stevens. 17s. 6d.

LOCAL GOVERNMENT

Old Bogeys, New Brooms

NEWCASTLE has appointed its town manager while Bognor seethes over the dismissal of its town clerk, and both places carry messages for the obscure future of British local government. The unedifying events at Bognor boil down to charges of high-handedness and venality against members of the council. The Minister of Housing and Local Government has gone as far as he can in strongly advising an independent inquiry—he cannot order one if Bognor does not. This is one of the things which the Liberal party, which has seized the opportunity to strengthen its local government platform, would like to see changed.

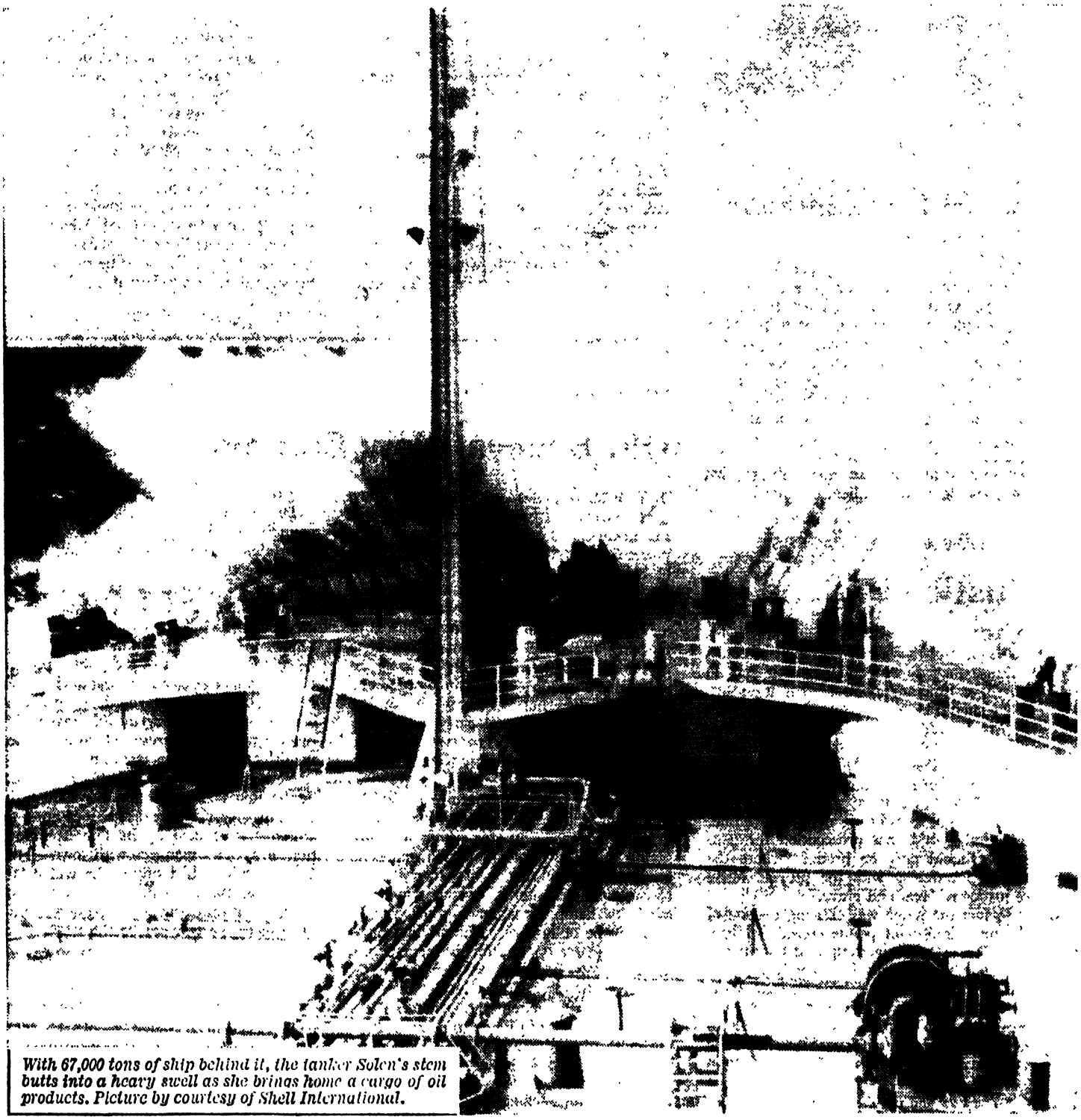
A bigger bogey for reformers is the councillor who uses his position for his own business advancement, for whom it is not saying much to argue that such goings-on are less flagrant in this country than in most. Declarations of interest, which would do much to hamper real corruption, should certainly be obligatory. But the fact must be faced that economic involvement in the life of a town is one of the few remaining incentives to take part in local politics at all, and the risk of temptation may be less important than a touch of enthusiasm. Paying more than bare expenses to councillors would be a far better solution than restricting them; the Greater London Council is now seeking leave to start to do just this.

Dictatorial or oligarchic behaviour in councils, particularly where one party has been almost unopposed for a long time, is also none too rare and exemplifies the real problem of local democracy. Once the party system takes over, some sort of cabinet, in fact if not in name, is likely to follow. At worst this can mean the arrogant negation of the right of the public, press or other councillors to know what decisions are being taken. Properly used, a big council can profit in efficiency by informal policy-making among the group which has a clear majority on its various committees.

Newcastle, whose Labour council deliberately operates a cabinet system of this kind, has carried the same idea into the administrative field by its famous innovation of a "city manager with town clerk." Like all other chief officers he will be the servant of the council, not the other way round—but unlike any of them, or any other town clerk, he will not be the head of any particular branch of administration, but senior co-ordinator of them all. By choosing Mr Frank Harris, an accountant who has risen to the head of the Ford Motor Company's product planning in Britain, Newcastle proves its desire to control its £200 million development plan with the precision and foresight usually reserved for far less durable products than cities.

English Electric make electric motors for every industry

But what are they doing



With 67,000 tons of ship behind it, the tanker Solen's stem butts into a heavy swell as she brings home a cargo of oil products. Picture by courtesy of Shell International.

on board the Solen?

MARCONI, a member of the English Electric Group, helps Shell International Marine to operate their tanker fleet efficiently and safely. Marconi Marine electronic installations keep Shell ships in touch with the shore and each other; aid navigators with radar, echo-sounders and direction-finders. Solen and 14 other Shell tankers, from 67,000 down to 18,000 tons deadweight, also use electronic equipment which automatically detects and corrects errors in radio transmission of vital performance data from anywhere at sea to Shell Centre in London. The data are used for the evaluation of development projects.

English Electric are one of the largest and most comprehensive engineering groups in the world. Their 44 specialist companies are served by five of the most modern industrial research laboratories in Europe.

These substantial resources put English Electric in the forefront of advanced electrical and electronic technology at home and overseas.

ENGLISH ELECTRIC

THE ENGLISH ELECTRIC COMPANIES
THE MARCONI COMPANIES
ENGLISH ELECTRIC-LEO-MARCONI COMPUTERS
ENGLISH ELECTRIC AUTOMATION

The Growth of World Industry 1938-1961

International Analyses and Tables

Presents internationally comparable data on the growth in the industrial sector during the period, in relation to that in the economy as a whole, of practically all countries of the world; and analyses of the circumstances and factors that were conducive to the great expansion that took place in economic activity. (UN publication) **49s. (52s.)**

Commodity Reports

A series of annual publications, prepared by the Commonwealth Economic Committee, giving in summary form statistical data of world production, consumption and trade for groups of allied commodities. Recent titles include: Meat, 1964. **7s. 6d.** (8s. 4d.); Dairy Products, 1964. **7s. 6d.** (8s. 3d.); Fruit, 1964. **10s.** (11s.); Vegetable Oils and Oilseeds, 1965. **10s.** (11s.); Grain Crops, 1964. **10s.** (10s. 11d.)

Economic Report on 1964

This H.M. Treasury report offers a detailed analysis of developments in the domestic economy and the balance of payments in 1964, carrying the review forward in some respects to the first months of 1965. **3s. 6d.** (3s. 10d.)

Prices in brackets include postage

HMSO

Government publications can be purchased from the Government Bookshops in London (post orders to P.O. Box 569, S.E.1), Edinburgh, Cardiff, Belfast, Manchester, Birmingham and Bristol, or through any bookseller

WHO OWNS WHOM

(U. K. Edition) 1965

8th Edition:
Over 53,000 entries

U.K. parents showing subsidiaries and associates throughout the world
U.K. associates and subsidiaries showing parents throughout the world
U.S. parents showing U.K. subsidiaries

". . . the invaluable book of parent, associate and subsidiary companies."
The Economist

". . . a fascinating directory of U.K. parent and subsidiary companies."
The Guardian

"Each year Who Owns Whom grows bigger and better. . . . This is an invaluable work of reference. . . ."
Investors Chronicle

£8 post free

through booksellers or from the publishers: **Also available: Quarterly Supplements for June, Sept., Dec. 1965 and Mar. 1966 £1 the set of four post free.**

Publishers:

O. W. ROSKILL & CO. (REPORTS) LTD.

14 Great College Street, London, S.W.1.

International Affairs

The Quarterly Journal of the Royal Institute of International Affairs

IN THE JULY ISSUE

A Miracle?
Potsdam 1945-Western Germany 1965
LORD ROBERTSON of Oakridge

The Sharing of Nuclear Responsibilities—A Problem in Need of a Solution
ANDRÉ BEAUFRE

Luddites and Lemmings in South-East Asia
MALCOLM CALDWELL

The United Nations in Crisis
H. G. NICHOLAS

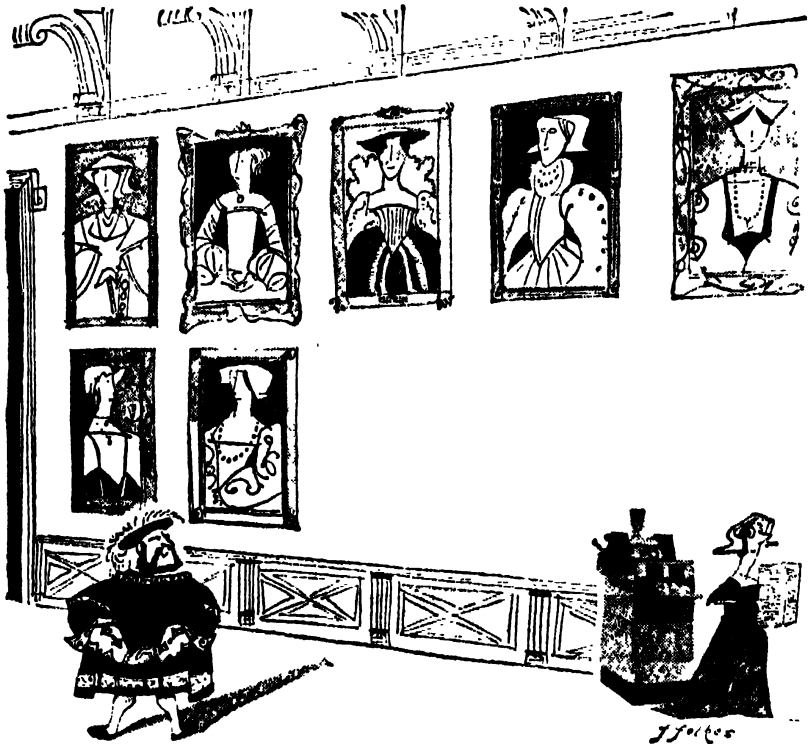
Keeping Calm about the Commonwealth
TREVOR R. REESE

The EEC and Aid to Africa
TOM SOPER

The Projection of Britain Abroad
MAX BELOFF

Books

Quarterly 10s Annual subscription 37s 6d post free from Oxford University Press, Amen House, Warwick Square, EC4



IF GESTETNER HAD BEEN THERE:

in view of the increased efficiency of his administration, the achievements of Henry VIII's reign would have been even more glorious.

Unfortunately for our remoter ancestors, the Gestetner process was not invented until 1881 . . . The time they were obliged to waste! And the money! And the effort! For the last 80 years, however, businessmen and administrators have been better able to concentrate on the things that matter, thanks to Mr. Gestetner's enterprise. There are now fast, simple and economical on-the-spot duplicating and printing machines available for every size of business, for every kind of office. Your local Gestetner branch (see the phone book) will show you what they can do to help *you* in *your* business.

Gestetner **the world authority on office printing**

stencil : offset

GESTETNER DUPLICATORS (B.S.O) LIMITED · GESTETNER HOUSE · 210 EUSTON ROAD · NW1 · EUSTON 7021

BOOKS

Middle East Weather Vane

The Struggle for Syria: *A Study of Post-War Arab politics*

By Patrick Seale.

Oxford University Press for Chatham House. 344 pages. 42s.

Although this is a specialist's book, in that it deals with the minutiæ of Arab politics, it is for two reasons well worth the attention of a wider public. First, it is so shrewd, lively and well written that it will come as manna to those whose staple diet is the locusts and wild honey of Afro-Asian political literature. Secondly, it offers interesting and apposite evidence of what happens to great powers which imagine that they are manipulating and attracting small ones in Afro-Asia. It shows how often they pursue their lofty policies in misjudgment —even in ignorance—of the interpretations that are being placed upon these by local politicians locked in indigenous combat in the sub-stratosphere. Mr Seale writes at one point that

> a continuing theme of this book has been the two-way interaction between the internal power struggle in Syria and conflicts on the wider stage of Arab politics together with, on a still higher plane, great power policies.

The scene he describes is often reminiscent of those mediaeval paintings in which, aloft, St Michael fights Satan, while humans struggle on a middle plane and devils claw for the elect somewhere below. Comparable scenes of more recent date are discernible in the Congo or Vietnam.

Now and then, one conflict impinges on the other. In the Middle East, the spheres intercommunicated when the western powers, bent the one (America) solely on containing communism, and the other (Britain) also on retaining some shred of former status in the area, in 1955 built upon an existing pattern of Arab antagonisms by putting their money on Nuri Pasha and fostering the Baghdad pact. The interpretations placed upon this move by Syrians and Egyptians, which are well described by Mr Seale, show how often Eden and Dulles planned and acted without much heed for the degree to which they would, by Arab standards, be taking a hand in some Arab power game.

Why is Syria the subject of the book? It is neither so powerful as Egypt nor so rich as Iraq, and, being a bone of contention between them, is often the object of their policies. And yet, in Arab politics, Syria is always worth watching because developments there so often show the way the wind is blowing or about to blow. Syria, for instance, was the first Arab state to challenge an *ancien régime* by staging a military revolt, the first to stick out against being compromised by accepting western aid, the first Arab neutralist, the first to break a western monopoly by buying arms from Russia. Far from being the mere object of policy, it time and again engineers within its own borders political quarrels of such magnitude that it exports them to its neighbours, so swelling its domestic concerns to inter-state magnitude. In one of his shrewdest chapters—that on the key Syrian elections of 1954, which were almost the only truly free elections that have taken place in the Middle East since the war—Mr Seale shows how much more astutely the Syrian omens were then read by Moscow and Cairo than by London and Washington.

Just as outsiders, the Russians often included, misread local omens, so do the Arabs misinterpret great power moves. One useful service performed by the book is to dispose of the legend, long believed by Egyptians and others, that the British actively worked to promote the unity of the Fertile Crescent. This myth was propagated for years by authorities hostile to the Hashemite dynasty, including the French and the Israelis. The book's Arab sources reveal that here was a matter in which the British never interfered, preferring to let water find its own level. Let the last word lie with Syria's "progressive millionaire," the pro-Soviet Khaled el Azm:

> The British never really wanted union. They were uncertain of being able to harness the effervescent side of the Syrian character. Nuri pretended he was for it but, at bottom, he thought like an Englishman.

This quotation from a personal interview displays in a sentence the kind of source material on which the book is based. No Arab statesman has yet written this sort of reflection down, but Mr Seale who (after some years of research at Oxford and some years as the *Observer* correspondent in the Middle East) is part-scholar, part-journalist, has plied all the living participants in the scene with his questions, and reproduces for the reader's benefit the fruits of this labour of years, printing them as if they were quotations. One has to take much of his evidence on trust, but his pieces fit the jigsaw so neatly, and so greatly help to explain much that has happened since his closing date in 1958, that they are worth accepting. To purists who jib at such source material, the answer is that plausible explanations of events can be obtained in no other way. These descriptions, shaped by what Mr Seale handsomely acknowledges as the "elegant scalpel" of Chatham House, are the raw material of history—live stuff that will be unobtainable by the time the relevant British documents are available to the historian, but the relevant Arab authorities are dead.

Though the book is so spirited, the general impression it leaves is one of pathos. Nothing goes as the Arabs plan (except negative plans, such as getting rid of patrons or rivals) because every man is for himself and believes that what he wishes for can be obtained—abracadabra—simply by wishing. Mr Seale shows how for lack of a "convincing constitutional structure," of consecutive thought and sustained effort, dearest plans have so far foundered. If this has happened in lands well endowed with a history and with cultural unity, what hope is there for lands without these assets?

Two Stings in the Tail

The Persuasion Industry

By John Pearson and Graham Turner.

Eyre and Spottiswoode. 328 pages, illustrated. 30s.

The title of this book should really be in the plural: the faces revealed of the advertising and public relations industries are so very different. The picture of advertising in the first two-thirds of the book is true but anecdotal and personal. It conveys very well the chanciness of any one campaign and the thrill of the business as an absorbing intellectual game. Good points are made: that a campaign ("You're never alone with a Strand") can change the posture and habits of a generation without selling many cigarettes; that the success of a well known slimming preparation was due to the deliberate dullness of a campaign—as the agency, notoriously the "brightest" in London, said, "there are times when advertising men must realise that the really clever course is not to be clever at all." And so on.

It is a far cry from these innocent preoccupations to the real political public relations men, like Mr E. D. (Toby) O'Brien, whose fun career started when he helped, amid many gay misadventures, to get General Franco into Spain to start the civil war. After a spell in that great breeding-ground of modern PR, the Central Office of Information, Mr O'Brien has been at the centre of many campaigns, from the Tory revival in the nineteen-forties to the Katanga lobby: "Katanga would have collapsed much earlier if there had not been

people well informed through us." Here he is probably unfair to Mr Michael Struelens, whose efforts in New York were even more successful than Mr O'Brien's in London. The easiest victims, ill-informed and not seemingly over-bright, are back bench members of Parliament—of whom 34 are or were in the business anyway. There were the forty MPs who went to Rhodesia to see federation at work: only one came out against it. Eighty MPs were found five years ago to support the makers of oil heaters, whose products had just killed rather a lot of people. These triumphs may have been historic rather than actual: the great period for political-cum-financial public relations started with the campaign for commercial television and may have ended with the downfall of Mr Profumo—"one of the best chaps I ever had," according to Mr O'Brien. The campaign for commercial radio will be a real test of its present power.

In the fifties the latter-day Maundy Gregories also apparently flourished. "One Commander R.N. (Retd) specialises in public figures who want honours. 'It always cheers me up,' he said, 'when I meet someone with some money who wants nothing more out of life than a peerage'."

After these revelations the last general chapters seem a trifle tame. Advertising is made by fallible human hands, and control over it is scarcely made at all—with one very significant exception. There is now real control of advertising on television by an authority with the legal means and will for enforcement. May this not come for all media, with this shining example of control over the most important one? But to judge by the evidence here, control of lobbying seems a much more vital business—after all, unlike the Americans, we do not even know how much the lobbies spend, or on whom, or to what purpose.

Sixty Per Cent Efficient?

The Economics of Soviet Planning

By Abram Bergson.

Yale University Press. (1964.) 411 pages. 56s.

The first thirteen chapters of this book hold up the Soviet economy in practice to the mirror of Western welfare economics. With a wealth of scholarship, though not of verbal felicity, it is shown that the choice of investment projects, the allocation of labour, the pricing of consumer goods and so on are "irrational" or "inefficient"—the words have the same meaning in this book. This is all sovietology recollected in tranquillity: little is added to our knowledge of these matters, though we must be grateful for its compendious and authoritative availability.

Chapter 14 makes up for all the others in novelty and boldness, but the author seems hardly to realise how controversial, how much in need of longer substantiation, are the claims he makes. Soviet socialism, he says, is less efficient than American capitalism because in 1960 it produced about 60 per cent as much per dose of labour and capital. This figure allows for the lower quality (in sex and education, but not age) of Soviet labour, and the rest of the Soviet shortfall is attributed to the system. But might not capital goods too be of lower quality? No such thorough check seems to have been made on this; the rather impressionist working of Bornstein has been accepted in converting "capital roubles" into "capital dollars." Instead the author maintains that since the Soviet capital stock is younger it should embody the very latest developments and be actually superior; if not, that too is a fault of the system.

Now, it is not absurd that the Soviet system should be only 60 per cent as good as the American at extracting output from equal inputs. But the lower quality of Soviet capital goods is passed over much too cavalierly. So far from being a fault of the system it is a very proper adjustment to the shortage of savings and technical education. It is also paralleled by market economies in the same stage of development. Moreover the "60 per cent efficiency" conclusion falls foul of the simple proposition that the Soviet economy is growing more rapidly, and such growth is the prime criterion of efficiency. Static comparison pays no attention to historical circumstance.

But to use rates of growth in 1960 as an efficiency criterion would be unfair the other way, as the author hastens to point out. For it is more difficult to grow quickly when one is already ahead; capital stock is about as big as it ought to be, and there are few foreign techniques to borrow. However, this is only to say that any comparison of Russia and America in 1960 tells us nothing about the relative efficiencies of their systems. Russia should be compared with, say, Italy or Argentina in 1960, or perhaps with America in 1890; and the main criterion is presumably the rate of growth in comparable absolute circumstances.

Since the author is certainly well aware of these points it is surprising that he does not deal with them. It is also surprising that he does not draw on his own work to divide the question of efficiency into its main components: resource mobilisation (e.g. the extraction of savings from the people, or the moving of housewives into gainful employment) and resource use (the extraction of output from resources once mobilised). We might well expect a Communist government to mobilise resources more ruthlessly, but in his "Economic Trends in the Soviet Union" Mr Bergson shows that since the war Russia has outstripped America in the other department as well. That is to say, outputs have outgrown inputs more rapidly in postwar Russia than in America at any time. The "60 per cent in 1960" is, though Mr Bergson seems not to recognise it, a stage in precisely this latter development. Soviet resource use is still worse than the American, he now tells us; but forgets that he once showed it was improving faster.

It takes time to accumulate capital, time to educate workers up to the American level, and time therefore to make and work the latest machinery. Yet time seems somehow to have dropped out of the author's consciousness. What he has to say on the static allocative efficiency of the Soviet economy is true and valuable, if not new; and beyond any doubt overall efficiency would be increased if improvements could be made here without a sacrifice of other advantages. But the crucial last chapter raises far more questions than it answers. Its supreme merit is the importance of these questions.

Riots Made Respectable

The Crowd in History: *A Study of Popular Disturbances in France and England, 1730-1848*

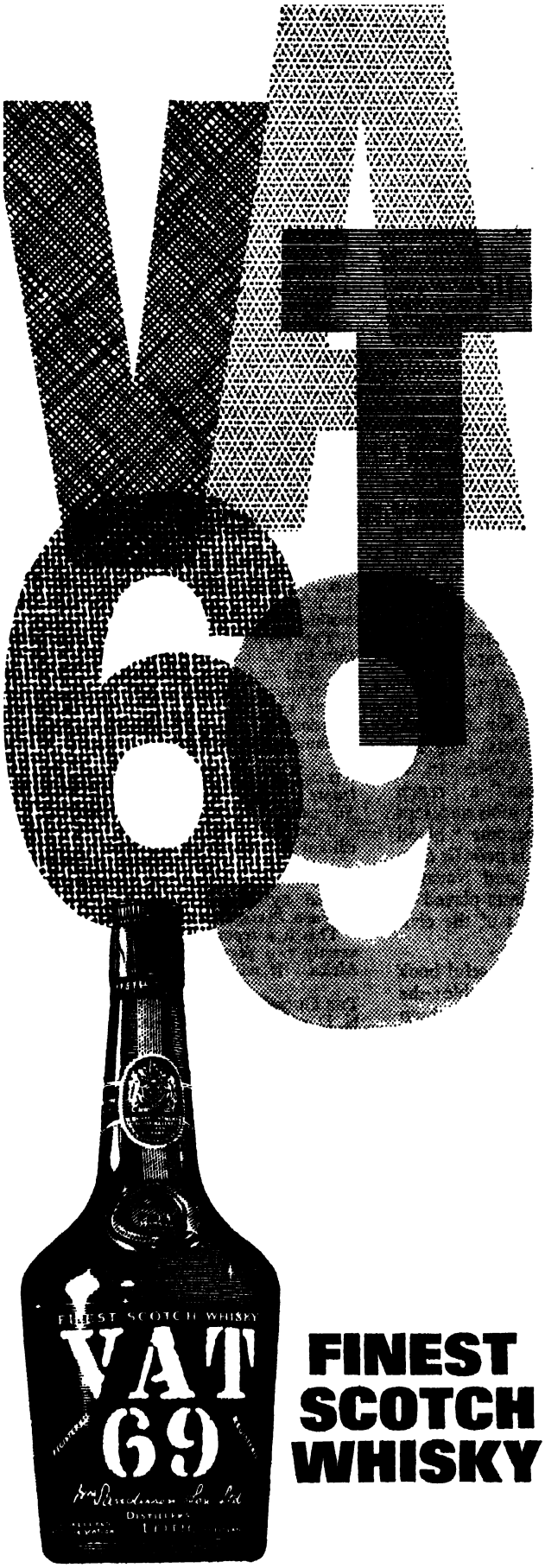
By George Rudé.

John Wiley. 290 pages. 45s. clothbound, 23s. paperbound.

The title of this book reflects Professor Rudé's view of his subject: the word "mob" has too many overtones of hostility and distaste for him to use it; but, in fact, what are generally called mobs are what he is discussing, that is, riotous or rebellious crowds. Mr Rudé's central argument is that the eighteenth and nineteenth century rioter, both French and English, was typically a worthy and respectable citizen whose rational motives deserve careful study, rather than a brute beast drawn from irresponsible or criminal sections of society. His present day equivalents are trade unionists and members of consumers' organisations rather than the sort of people who now take part in riots. Mr Rudé's rioters were not even unduly violent: they used force selectively and with discrimination, "pulling down" the houses of their victims to avoid the danger to neighbouring properties involved in setting fire to them, and they caused far less loss of life than the forces of order sent against them. Indeed, they were sufficiently conscious of their rectitude to expect reasonable men to contribute money "for the poor mob," or owners to pay a fee for the destruction of their threshing machines, and sometimes to expect the support of the constituted authorities. These men made riots not because they longed for blood or loot or were the tools of unscrupulous politicians or because of their blind prejudices, but as an expression, however inarticulate, of genuine economic and social protest.

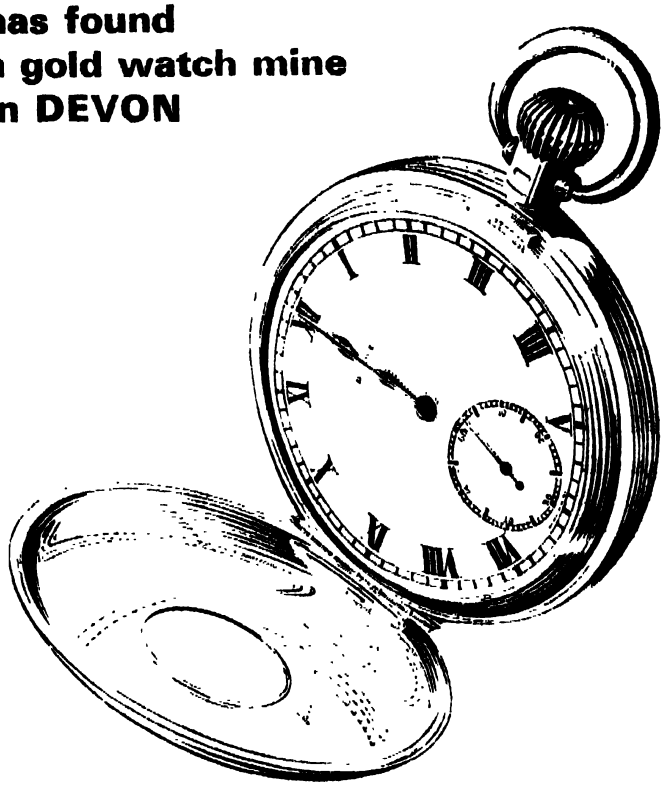
Sometimes Mr Rudé, however cautiously and tentatively, goes too far. The Gordon riots, aimed at Roman Catholics in London, and the "Church and King" riots, directed at enlightened intellectuals, are alleged to have been based on a levelling impulse and to have involved attacks on wealth as much as on religious toleration or liberal rationality. The evidence is thin and Mr Rudé here applies with difficulty his general contention that crowds sought to impose "some form of elementary 'natural' justice."

What is most valuable is the demonstration that crowds usually had ideas of their own. When rioters took up the ideas or



FINEST SCOTCH WHISKY

Industry has found a gold watch mine in DEVON



Firms like Whitbreads, Centrax, MPJ Gauge & Tool, and Clarks of Street had good reason to move to Devon. For one thing labour is plentiful, good and loyal. Gold watches for long service are common in Devon.

But that's not all. All over Devon the County Council offers co-operation with industrialists to build factories to be let on long lease at low rates. And in the development districts suitable industries qualify for 25% factory building grants and 10% grants for machinery. Housing is available, the sea's close by you and living is pleasant. Send off the coupon —or fix a date by phone to come and see for yourself—now, before the queue forms!

industry's on the move to Devon

G. H. Hollis, Industrial Development Officer, Devon County Council, County Hall, Exeter. Tel: Exeter 77977 Ext: 281

To G. H. Hollis, Industrial Development Officer, Devon County Council, County Hall, Exeter, Devon.

Please send me details of the advantages of a factory in Devon.

Name

Company

Address

E.1. BLOCK letters please

slogans of other classes, they adapted them to their own aspirations and they could not be used as mere weapons in upper class disputes. Revolutions in which popular disturbances affected events and social history as a whole cannot therefore be understood without studying the motives of mobs.

Mr Rudé has carried out several excellent studies of this sort. This book adds little new to his earlier work, but it summarises it conveniently, and adds to it a restatement of the work of others on the same problem. It is marked by the scholarly care and the caution of statement usual in Mr Rudé's writing, and it is very readable.

From Tavira to Tirana

Penguin Guide to Travel in Europe

By Nigel Buxton, in association with the *Sunday Telegraph*.

Penguin. 799 pages. 17s. 6d.

Europe has such a variety of scenery, climate and cuisine that there must, somewhere, exist the perfect holiday place for each of its inhabitants. This does not prevent thousands being seized with a kind of mental paralysis when the dread moment of actually picking on one spot, instead of vaguely daydreaming about many, becomes inescapable.

This new guide could help them make up their minds. For instance, there are sections at the beginning not on individual countries, which follow, but on coasts, mountains, lakes, islands, useful for people who have at least got as far as deciding that they would rather roast on a beach in the company of their fellows than stride in solitary splendour through the Alps, or vice versa. Those seeking to avoid the modern hordes can turn to Iceland, where tipping "is not the done thing," or the countries of eastern Europe. The information on these has been as assiduously compiled as for the more beaten tracks, but they mostly lack Nigel Buxton's reprinted descriptive pieces, which elsewhere not only relieve the hard fact but make one itch to get up and go, back to the blue warm sea, the pine-needles and the crickets. The chilliest note is struck by Albania: "Travellers should note that, even with a visa, they have no consular protection. . . . Albania has no diplomatic relations with Britain. . . . The frontier with Greece is not open. . . ." A trip here, one feels, might be interesting, but not gay.

Further sections include air, rail, coach and sea travel, plus information, at first glance of hideous complexity, on how to ship or fly a car almost anywhere. Occasionally the attempts to be clear, concise and comprehensive seem exaggerated: for example, public holidays are listed under countries because they differ from one to another, but banking hours, which do the same, are grouped together under "Money." Again, except for eastern European countries, the currency conversion is only given in "Money," which could make for a great deal of flipping to and fro to estimate hotel prices, which are not given sterling equivalents, whereas fare prices are: this again seems illogical.

The amount of updating is going to be enormous, but the author assures us that the considerable resources of the *Sunday Telegraph*, at home and abroad, are poised to snap up and print the latest information so that the book can remain the good kicking-off point it now is.

Embattled Republic

The Spanish Republic and the Civil War, 1931-1939

By Gabriel Jackson.

Princeton University Press. London: *Oxford University Press*. 591 pages. £5.

Were Hugh Thomas's "The Spanish Civil War" not already on one's shelves one might have greeted this work with some enthusiasm. Unfortunately, the overlap between the two books is considerable, and Mr Thomas's is the more attractively produced and better written—and by far the cheaper. Mr Jackson is apt, at times, to be bleakly professorial; he is attracted by the kind of gallicisms immature undergraduates adopt in order to let one know they have been to France ("laic" for secular, "normal schools" for teachers' colleges, "consigns" for orders); he has skimped his proof-reading (Pyrenean is occasionally spelt "Pyrennean," a French book is given the title "Sept mois and sept jours. . .", bloody purges become "blood purges," etc.); and his index is poor (it does not even mention Pamplona and Navarra, whose Carlist militias and priests played so active a role in the first weeks of the civil war).

But this is an interesting and useful book—clear, scholarly and generally reliable: the present reviewer disagrees with Mr Jackson on only three factual points. It is especially valuable for its analysis of the aspirations and frustrations of the Republic in the five crowded years before the civil war. Mr Jackson deflates the "black legend" the Republic's enemies have created, and probes a little more deeply than Mr Thomas into the 1936 "communist plot."

He sees the civil war, despite foreign intervention, as the product of specifically Spanish circumstances. But he reminds the reader that the Republic's reformist efforts should be viewed in an international perspective:

> In the last half-century, the privileged Western world has become conscious of the many "under-developed" nations. . . . There have been a multitude of political movements attempting to bring some measure of liberty and prosperity to those many countries. The Spanish Republic bears comparison with the best of those movements. . . . No progressive foreign government has initiated more beneficial projects than did the Spanish government in the years 1931-34. No Spanish government has done as much for the people since the time of Charles III in the eighteenth century.

OTHER BOOKS

THE ORIGINS OF THE LABOUR PARTY, 1880-1900. (2nd edition, revised.) By Henry Pelling. *Oxford University Press*. 265 pages. 35s.

First published in 1954, this book has been out of print for some years and now appears in a revised edition. Alterations have been made in the light of recent research and documentation, and the author has added a bibliographical essay.

FEDERAL TAX TREATMENT OF FOREIGN INCOME. By Lawrence B. Krause and Kenneth W. Dam. *Brookings Institution*, Washington. London: *Faber*. 158 pages. 25s.

A background paper, prepared for a conference held April 23-24, 1964, with a summary of the conference discussion. (Studies of Government Finance series.)

FIRST STEPS TO DISARMAMENT: A New Approach to the Problems of Arms Reductions. Edited by Evan Luard. *Thames and Hudson*. 277 pages. 42s.

Authorities on disarmament and arms control discuss here a number of specific and restricted measures in these fields, in view of the fact that the achievement of general and complete disarmament seems unattainable.

READINGS FROM LIBERAL WRITERS: English and French. Selected and introduced by John Plamenatz. *Allen and Unwin*. 240 pages. 35s. clothbound, 21s. paperbound.

The passages, preceded by a long introduction by the editor, are arranged in five parts: Freedom and Opportunity: The Functions of Government and the Limits of Authority: The Spirit and Machinery of Free Government: Freedom of Thought and Utterance: Freedom Endangered.

ATLANTIC CRISIS: American Diplomacy Confronts a Resurgent Europe. By Robert Kleiman. *Sidgwick and Jackson*. 158 pages. 21s.

This book was reviewed in its American edition in *The Economist* of October 17, 1964.

FEDERALISM AND THE NEW NATIONS OF AFRICA. Edited by David P. Currie. *University of Chicago Press*. 440 pages. 63s.

This is a report of a symposium held almost exactly two years ago to discuss federalism in Africa. It will interest the historian.

THE GUINNESS BOOK OF RECORDS. Compiled by N. D. and A. R. McWhirter. *Guinness Superlatives Ltd*. 316 pages. 12s. 6d.

This eleventh edition of the Guinness Book of Records is up-dated to October, 1964, and contains the results of last year's Olympic Games at Tokyo. It remains a fascinating source of useful and esoteric information—especially the latter. This is the place to look if you want to find out who had the smallest handwriting or the first slipped disc or took the most pills. An interesting short table in the preface shows how much some records—like the human speed record or the deepest ocean boring and the estimated world population—have changed in the last fifty or hundred years. Clearly, there will be need for plenty more editions.

THE DIRECTORY OF OPPORTUNITIES FOR SCHOOL LEAVERS, 1965. *Cornmarket Press*. 383 pages. 12s. 6d.

HOTELS AND RESTAURANTS IN BRITAIN, 1965: Touring Edition. *British Travel Association*. 390 pages. 6s.

THE CARIBBEAN "WHO WHAT WHY," 1965. *Who, What, Why Publishing Co.*, Port of Spain, Trinidad. 844 pages. No price given.

WHO'S WHO IN SWITZERLAND, 1964-1965: Including the Principality of Liechtenstein. *Nagel*, Geneva. London: *Frederick Muller*. 690 pages. £6 10s.

A SURVEY BY THE ECONOMIST

REPORT ON CANADA

State of a Nation (1) Mr Pearson's Politics *VII* (2) A Shadow or Two *IX* (3) Making a Nation *X*
Ten Premiers *XIV* Consensus for a Constitution? *XXIII* Marcel Faribault *XXIV* Goals for 1970 *XXV*
The Crisis of Cultures *XXVI* Canada's Oil and Gas *XXX* Research at Sheridan Park *XXX*
Manitoba in Midcontinent *XXXIII* Too Much from the Forests? *XXXIV* Get on with Exports *XXXVII*
A Business of Greenhorns *XXXVIII*

SUN LIFE ASSURANCE COMPANY OF CANADA

One of the great Life Assurance Companies of the World.

Assets of £871,851,000

◀ ADMINISTRATIVE OFFICE · LONDON

By the following plans you can secure . . .

PLAN NO.

1 **CASH PAYMENTS IN THREE STAGES,** 10, 15 and 20 years from now—with provision for your family if you do not live.

2 **RETIREMENT FUND** for yourself, or for yourself and your wife—with death benefit meantime.

3 **CHILDREN'S EDUCATION FEES OR COMING OF AGE GIFTS.** This provision is best arranged while the child is young.

4 **ESTATE DUTY PROVISION**—a special plan to ensure that cash will be available, when required, to meet either fully or in part the Duty on your Estate.

5 **MONTHLY INCOME FOR FAMILY** in the event of your premature death, or guaranteed cash for yourself on survival to a specified age.

6 **HOUSE MORTGAGE COVER**—if you intend to buy a house on mortgage with a Building Society or if you are already doing so, this plan can relieve your family of all liability if you do not live to complete repayments yourself.

7 **PROTECTION OF YOUR BUSINESS INTERESTS** through Partnership Assurance.

***RELIEF OF INCOME TAX,** within the statutory limits, is obtainable in connection with the plans described above.*

We invite you to write for further details of these plans or for help with any Life Assurance problem—entirely without obligation.

J. L. HARRIES. *(General Manager for Great Britain and Ireland)*

141 SUN OF CANADA HOUSE, COCKSPUR ST., LONDON, S.W.1

HEAD OFFICE · MONTREAL

YOU'LL FIND CANADIAN PACIFIC

SHIPS White Empress liners sail regularly from Liverpool and Greenock to Quebec and Montreal between April and October. Your freight to Canada and the U.S.A. gets the best handling in the world on the regular Atlantic service by Empress and Beaver liners, sailing from London, Liverpool, Antwerp, Le Havre, Hamburg/Bremen, Rotterdam.

PLANES If you have a special interest in *Western* Canada—Canadian Pacific D.C.8 jets will fly you or your freight by the fast Polar route from Amsterdam (good connecting flights from all major U.K. airports) to Edmonton, Calgary and Vancouver; and Canadian Pacific jets span Canada itself.

TRAINS Back on ground-level once more, the famous Canadian Pacific railway, stands ready to whisk you from your port of entry right through to your final destination. Freight gets the same streamlined service.

HOTELS A superb chain of hotels—again Canadian Pacific—are ready to receive you.

If you're going or exporting, get in touch with your Travel Agent or Forwarding Agent; or contact Canadian Pacific, Trafalgar Square, London, W.C.2. Tel: WHI 5100.

Canadian Pacific

TRAINS · TRUCKS · SHIPS · PLANES · HOTELS · TELECOMMUNICATIONS
WORLD'S MOST COMPLETE TRANSPORTATION SYSTEM.

Hudson's Bay Company.

INCORPORATED 2ND MAY 1670

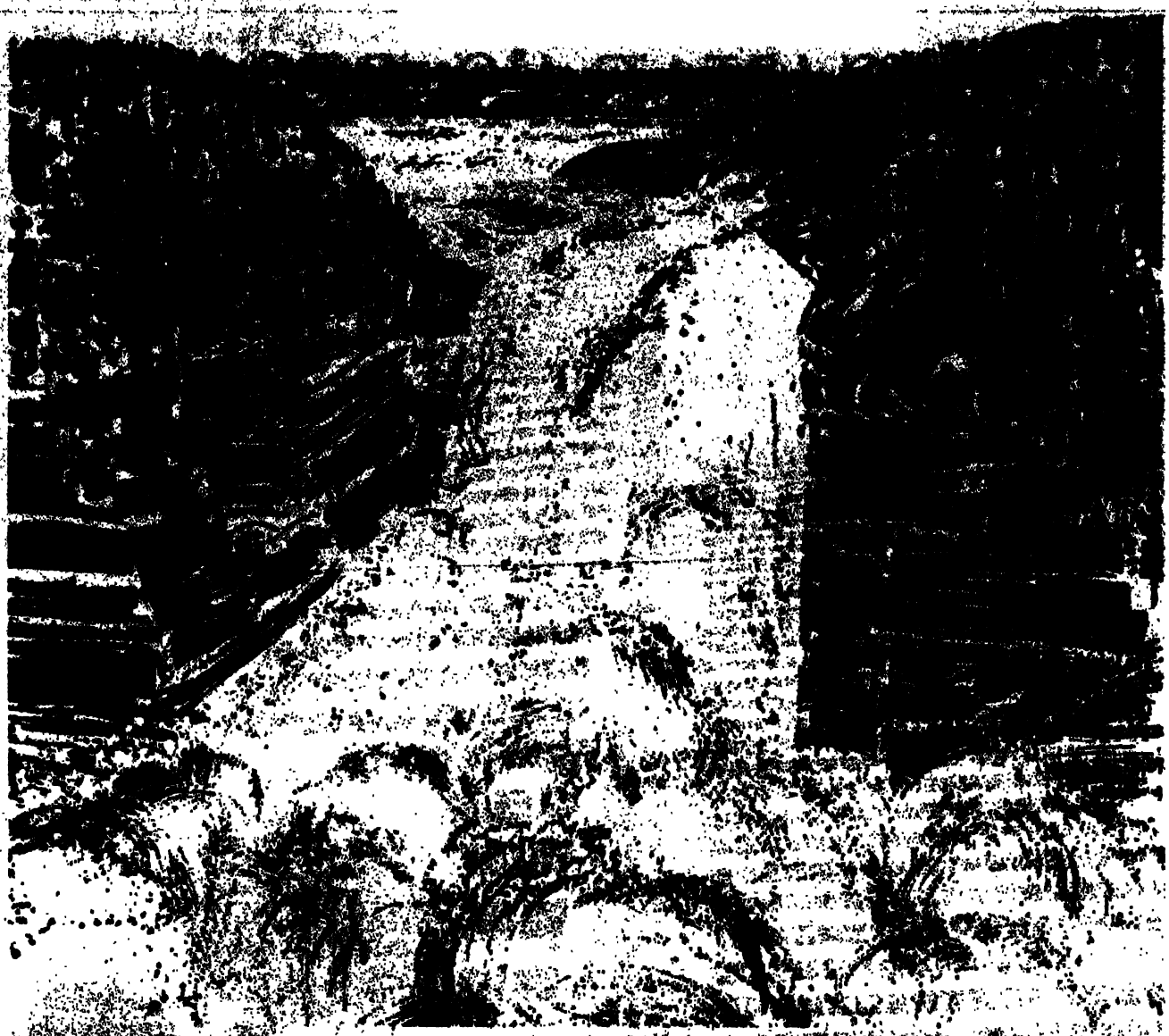
"The Greatest Name in Furs since 1670"

MAJOR QUANTITIES OF FINE FURS OFFERED AT OUR REGULAR AUCTION SALES

London	Montreal	New York
HUDSON'S BAY COMPANY FUR SALES LIMITED	HUDSON'S BAY COMPANY INCORPORATED 2 MAY 1670	HUDSON'S BAY COMPANY FUR SALES INCORPORATED

EIU Quarterly Economic Review **CANADA:** Among the more important features of the next review to be published shortly, will be an analysis of the impact of recent US payments measures on the Canadian economy and a discussion of the dimensions of the current deterioration in the Canadian payments situation. The review will also provide detailed background information on the current economic boom as well as examine the relevance of the recent revival of interest in uranium and the changes to be brought by new banking legislation.

This is one of a series of 58 such reviews, each published quarterly and, between them, covering over 120 countries.



POWER

FROM LABRADOR'S MIGHTY CHURCHILL FALLS 10,000,000 H.P. (50,000,000,000 K.W.H.)

AS LOW AS ¼d./K.W.H.

FOR FIRM POWER AT YEAR ROUND OCEAN PORTS IN NEWFOUNDLAND

THE GREATEST HYDRO POWER POTENTIAL IN THE WESTERN WORLD, AVAILABLE TO INDUSTRY ESTABLISHING IN NEWFOUNDLAND . . . 3,000,000,000 K.w.h. available in 1969 . . . more than 25,000,000,000 by 1971 . . . the full potential by 1973.

TEN MILLION H.P.—equal to the combined output of Grand Coulee, Aswan, plus both United States and Canadian dams at Niagara Falls—is being made available in Newfoundland at the lowest rates bordering the Atlantic ocean.

HIGH VOLTAGE power grid under construction. PLANT SITES available adjacent to grid on all-year deep water ocean ports. MATERIALS and fresh water are available. LABOUR plentiful and easily trained in skills. TRADE and technical schools maintained by government. WAGE RATES reasonable, living costs moderate. PROVINCE OF NEWFOUNDLAND has Canadian political, economic stability. TOWNSITES planned in hydro-power areas and adjacent to grid.

NEWFOUNDLAND (bigger than the combined areas of Belgium, Holland and Denmark) is on Great Circle shipping and air routes, North America's closest point to Europe. Short sea contact with North and South America. Jet airports include Gander; fast connections on island and with mainland North America.

Brochure available on request. Inquiries on your letterhead should be addressed to Hon. Joseph R. Smallwood, Premier, Confederation Building, St. John's, Newfoundland.

NAUTICAL MILES FROM ST. JOHN'S

Liverpool	1,995
Lisbon	1,859
Dakar	2,646
Kingston, Jamaica	2,140
New York	1,093
Rio de Janeiro	4,863

PROVINCE OF

NEWFOUNDLAND AND LABRADOR

CANADA

Soaring above Montreal's Place Ville Marie, contains Air Canada's headquarters in the heart of Montreal.

SO IS AIR CANADA!

AIR CANADA/BOAC fly daily to Canada. Air Canada provides *through flights* to 7 major Canadian centres, connections to 36 others and key cities in the U.S.A.

Air Canada flies over 4,000,000 passengers a year. A big and experienced airline for a big country. 11,477 passengers a day, 4,189,349 a year! Only a non-stop electronic reservations system could keep tabs on so many people and planes. Only *top-line* servicing could keep an airline this size operational. Non-stop . . . top-line . . . big—that's Air Canada. We fly to more cities in Canada from more cities in Europe than any other airline.

AIR CANADA

164-4 REGENT STREET, LONDON, W.1. MAYFAIR 7788. AND OFFICES IN GLASGOW, DUBLIN, SHANNON, BIRMINGHAM, MANCHESTER AND LEEDS.

This Report on Canada comes within two years of her centennial. What is Canada to be in the next hundred years, indeed in the next generation? Ten provinces and two territories seem to add up to something bigger than Canada itself. For growth, Canada looks over its shoulder southwards. For nationhood, the diversity of Canadian people and of the separateness where they live, makes them look in a dozen different directions for answers to deep constitutional questions. The terms on which French-speaking Quebec is to live with the English-speaking provinces are touchy enough. But the divisive forces are not those of language and culture alone. They come from vast distances, thin populations, self-confident provincial governments, the shadow of America's enormous economic and political umbrella, and from a federal government in Ottawa that is struggling for status and under pressure about the principles of confederation that were supposed to have been laid down in 1867.

Yet it is beginning to look as if a Canadian quality is going to count for more and separate and distinctive qualities for less. It requires some faith to reach this conclusion. Canada's centennial birthday present in two year's time cannot be a beautifully wrapped final solution. In Ottawa, Mr Lester Pearson has done a good deal towards creating a more purposive Canadianism, and some would see this as a setback for confederation. But a fair observer would give Mr Pearson credit for strengthening Canada's roots of nationhood.

Boom and bombs have made too many Canadian headlines. What stands out for our reporter is diversity of resources and people, energy and enterprise (at its best) on the American style, a great enjoyment of the riches of nature, but some questioning (by reference to Canada's more conservative and even puritanical standards) of what wealth is for. There is a deal of it already and far more to come.

State of a Nation

I—Mr Pearson's Politics

At least there is one reminder of home—how to keep a government in being against all the mathematical odds and, unlike Mr Wilson, who has been at the job for only nine months, without an overall majority.

MR PEARSON is beginning to want something better than a life of political sufferance and is likely to be seeking an election soon. But first he has to catch the Opposition. Some attractively baited hooks have been dangled before them in the last three months, including a fairly radical measure for improving the low efficiency of Parliamentary procedure in Ottawa. Mr Pearson assumed what, for him, was a brutal aspect in introducing it—no nonsense would be tolerated from the Conservatives, none of the endless delays that wasted a whole year on the national flag.

The Tories have been docility itself, rushing in to establish broad agreement with the need for reform, and resisting every temptation to indulge in its juicy polemics. This is not because they would be averse from taking two years over the job if they dared. But their situation closely resembles that of the Conservatives in Britain. A loss leader has to be discarded and a new Tory saviour found. Everybody knows that Mr Diefenbaker must go, but how and when? There is no means of forcing him out, and, as in Britain, there is reluctance to enter a public contest for the succession so long as he is there. The choice of timing lies in his alone and whatever a wide spectrum of opinion across Canada, and across party frontiers, thinks about him, he is enjoying being in opposition. This very passable seventy-year old, with his grizzled hair and deep quiet voice, reminiscing about past Tory glories, suddenly switches on blazing eyes and a public meeting manner to show how they can be recaptured. A not yet extinct volcano.

So the charade that Mr Diefenbaker is the one and true keeper of the Canadian Tory soul is being played out. There are few enough in the party who believe this any longer and the nationwide discussion about the succession (which really means: what kind of Canadian Toryism in future?) ignores without affront but also without ceremony the fact that Mr Diefenbaker is still there. Mr Wilson, promising no general election this year, might have been studying Canada's situation and making his own inferences from the disarray of Conservative leadership in Britain. Or Mr Pearson, with his own accident-prone record, may have persuaded him that cliff-hanging can be fun after you have been at it for a year. Both came into office determined to show the world (in sixty and one hundred days respectively) and both fell flat on their faces. Yet both have recovered against all odds, for which unsure oppositions and fears of offending electorate and party backers by overhasty dissolutions must divide the credit.

PINNACLES WITHOUT POWER?

It is said that Mr Pearson will have no more of this and has his mind set on an autumn election. In political terms, his gentle and honourable nature is something of a liability. He might have done more in the last few months to force the Tories into a fight; but would that not have taken an unfair advantage of them? He could have fired Mr Walter Gordon for the mess he made of his first budget in 1963, and improved Liberal standing in the country; but could one respectably ditch an aide who delivered money and the Ontario vote for the party? He could have been smarter in hearing about the nasty smells of corruption before they broke out into the open and made him sick at the discovery that

some of his ministers had been too close (or too inadvertent) in matters involving some particularly horrid crooks. Chief Justice Dorion's report on these scandals has not added much more to the misery of their long recital and perhaps their worst political reverberations may be over.

In any case, the poker game about the date of the next election will not be decided on such a hand. Mr Pearson will lay down his full house when he wants to—perhaps a piece of legislation that Tories, Social Crediters, *Créditistes* and New Democrats are totally unable to swallow—and will then go to the country on the existing electoral map, before it has to be changed next year. Many members, irrespective of party, must be hoping that this will happen, rather than wait—until the late summer of 1966?—before they can work up their new constituencies. The existing ones are out of date and in many respects unfair; here once again Mr Pearson might have a matter of honour to decide and not a straight political choice between soon and much later.

The form of some of the possible runners for the Conservative leadership is assessed on later pages. There are awkwardnesses for Liberals too. In the 1963 election, the Liberals did well in Ontario, and part of that success was due to the work of Mr Walter Gordon on his home territory raising the anti-Diefenbaker vote and winning a good number of seats with slender Liberal majorities. Can this be done again? If there is one unpopular Liberal in Ontario to-day it is Mr Gordon himself. Bay Street is not exactly the whole of Ontario, but its views colour a wide range of Ontario opinion. Mr Gordon is the target of the most violent expletives from the street's financial community. They find it impossible to understand how one of their own establishment, a former partner in that most eminent firm of public accountants, Clarkson, Gordon and Company, should have betrayed his fellows to become "a goddammed socialist." But there is no doubt that he leads the Liberal party from the left, and that may be a paying instinct at a time when political opinion in the larger cities in all provinces seems to be going that way.

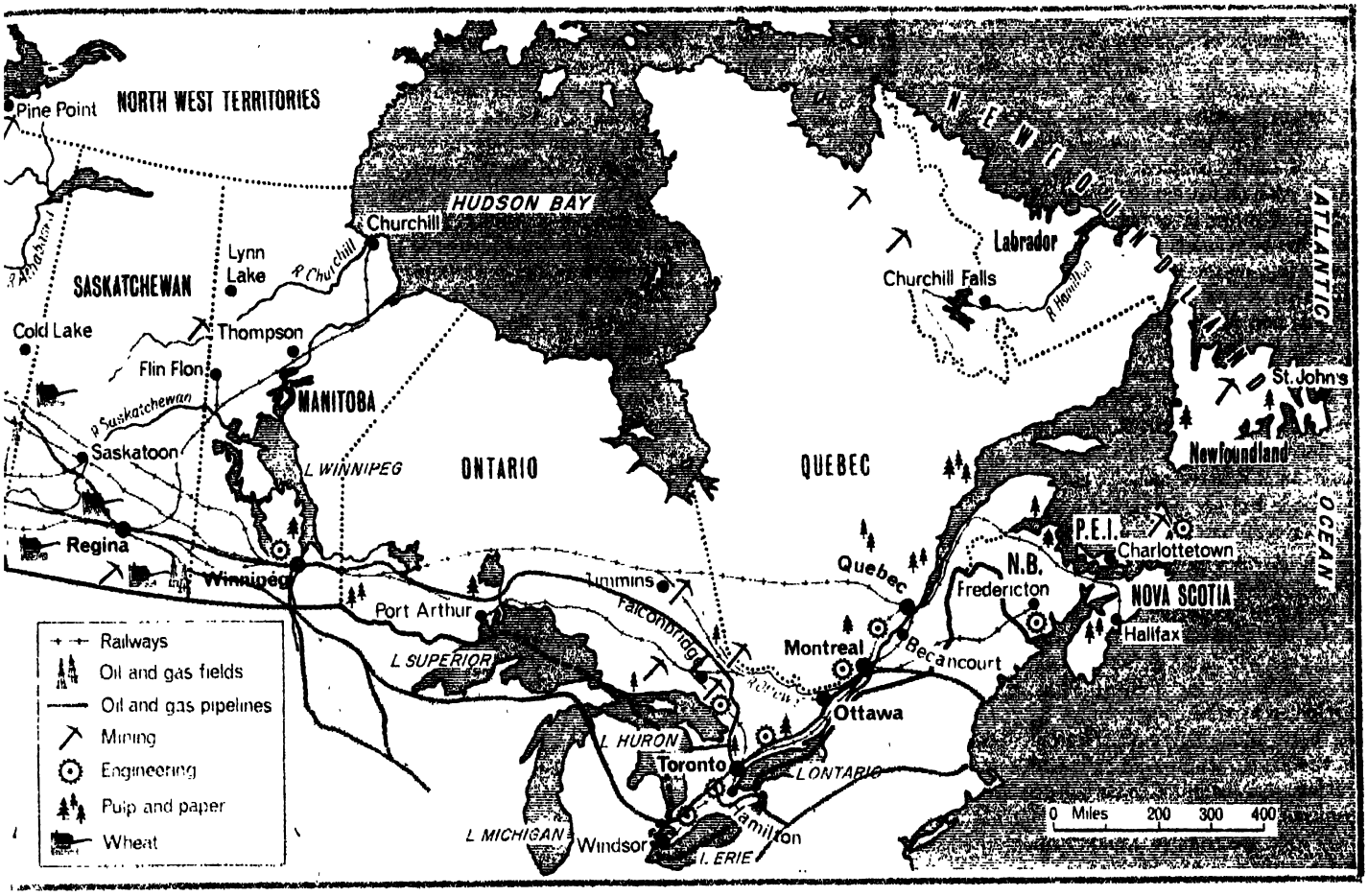
There are troubles for federal Liberals in Quebec, too, that might weaken the party's strong hold on the province, particularly in the event of a Fulton-Faribault partnership on the Conservative side (of which more later). Ever since the Liberals were returned to uneasy federal office, Mr Maurice Sauvé, the federal Minister for Lands and Forests, and an energetic and often emotional representative of the younger Québecois in Ottawa, has been trying to clean up the murky image of Quebec Liberalism, with its powerful old guard, and its pork barrels of patronage.

Mr Sauvé has been plainly defeated. The Prime Minister is keeping Mr Favreau as leader of the Quebec wing, though he has resigned as Minister of Justice. Indeed, it could not have been easy to dethrone him, for he came into the job as an honest and intelligent reformer, and got immersed, innocently enough, with the stinking waves of the Rivard scandals. (These involved Guy Rouleau, Mr Pearson's administrative assistant and chairman of the Liberal caucus, now resigned from both offices, and Raymond Denis, formerly the administrative assistant, but now sacked, to Mr René Tremblay, who was Minister of Immigration, and remains in control of the Liberal organisation in Quebec City.) One can see Mr Pearson's predicament; any changes of status here would have carried inevitable implications. One can also see that lack of political following guaranteed Mr Sauvé's defeat in a cause that Quebec Liberals will somehow have to win and control. Mr Lesage might do the job, but he is unlikely to descend from Quebec to Ottawa. (They have an impolite word for those who do: *fédéraste*.)

WHO NEXT?

The economy may be booming, but the next election will be nobody's push-over. Will the NDP do better in Ontario, as some people expect? Will the Liberal hold on Quebec be weakened by scandals and by a Tory recovery? What then becomes of Liberal hopes for a decisive victory in federal politics? What then of the possibilities of recruiting people like Jean Marchand, a former trade union leader from Quebec and eager for social reform, into the Liberal fold? It would be easy to underrate what the Pearson administration has done in its term of office. It has the flag, which will rank as a significant national achievement when the dust settles. It has established the pension plan, and has enabled the provinces to work it on their own account if they wish. It has done much to share responsibility and money with the provinces and is regarded as easy meat as a result. It has been confused on any number of occasions, and has been the victim on as many others of the endless procedural delays that are built into the Canadian Parliamentary system. All this has occurred under the leadership of a man who earns respect and even affection, but was never cast in the stamp of national politician. Give him seven out of ten and remember that few prime ministers deserve anything as good.

SEVEN OUT OF TEN



II—A Shadow or Two

Last year, Canada's gross national product jumped by 9 per cent, the biggest advance since 1956. The greatest part of this represented real progress, for in terms of constant dollars, gnp was up by 6½ per cent.

It was a bonanza year of important productivity gains, which saw the progressive absorption of unused industrial capacity that had been lying around the Canadian economy for several years. It also saw an unemployment percentage as low as 4.7, after seven years in which it had been up to 7. Canada had never employed so many people—6.6 million of them—or paid them so much—$2.02 an hour against $1.95 for 1963 and a wage packet of $23,417 million against $21,546 million—and they worked 41 hours a week, as in 1963. Personal and government expenditures were up by 7½ per cent, fixed investment in the private sector by as much as 18 per cent, and corporate profits by 14½ per cent.

It was a boom year, certainly, yet one that still pressed fairly gently on resources. Canada shared much of the success of the United States in keeping its price levels stable. There was hardly a flicker upwards in the wholesale price index last year, and less than a 2 per cent rise in consumer prices. The first four months of this year have told a noticeably different story of pricing pressures, but a reporter from a country in which the consumer price index can put on two percentage points in a single month finds it hard to complain about one percentage point on consumer prices and 1½ points on wholesale prices since the turn of the year. There could still be enough spare generally to be taken up in the economy without driving up costs to a dangerous extent, but tightness is showing in areas of specialised skills and equipment.

When Canada booms, it buys and it borrows. Last year, Canada's bill for imports from the United States shot up from $4.4 billion to $5.2 billion, an increase of 18 per cent, and costing 70 per cent of a total import bill of $7½ billion. Canada had a trade deficit with the US of $805 million and a non-merchandise deficit of $854 million, making a total deficit of $1,659 million for the year, the biggest on record. (Offsetting this were the extremely high current account balances with the United Kingdom of $572 million and with all other countries of $634 million, the latter reflecting in important part wheat sales to Russia and China.) Since the middle fifties, Canada has steadily reduced its overall deficit from well over a billion dollars to well under half that level, but the deficit on current transactions with the United States has never been more than modestly reduced and last year was swollen to an all-time record. The first quarter of this year shows a rather more disquieting result. Imports have continued to soar—up to $1,846 million and 12 per cent above the first quarter total for 1964. But exports were up only 3½ per cent to $1,851 million, partly because of the British surcharges and no sales of wheat to Russia, although there was a big increase in exports to the United States. On visible trade, therefore, there was a minimal surplus of $5 million for the quarter, which betokens a payments deficit on all transactions of perhaps $500 million, which would be the highest quarterly deficit on record.

This implies another big year of borrowing (presumably not of

retrenchment?) as last year, when the figures were swollen by new offerings of Canadian securities in the United States after the Interest Equalisation Tax was enacted last September. But it was noticeable that direct investment in Canada (mainly by American parents of Canadian enterprises) was last year barely one-third of its level of two or three years ago. American clawing-back of funds, coupled no doubt with the putting-off policies of Mr Gordon on foreign ownership,* have reduced what was formerly a flood of direct investment into something nearer a trickle. And there has been another major change in the composition of Canadian borrowing, on the short-term side, as a result of bringing about a reduction of the interest margin between the financial centres in Canada and in the United States. The spread between the two markets has been at its narrowest for many years, and the inducement to Canadian borrowers to seek funds abroad correspondingly at its lowest. It was a significant mark of the Bank of Canada's policy that on 7 per cent Bank rate date on November 23rd last year, it raised its own rate modestly from 4 to 4¼ per cent, whereas the Federal Reserve rate was put up from 3½ to 4 per cent.

Canada has not pursued low interest rates in independence but as an integral part of the pact with the American monetary authorities to avoid attracting reserves at the expense of the United States. Some Canadian cynics describing this posture say that Canada now forms the thirteenth Federal Reserve District. Certainly, the need to hew to an interest rate line in order to disembarrass the United States has meant that Canada's internal monetary policy for twelve months or more has been easier than it might otherwise have been. The increase in the money supply has been attracting some attention. And although the banking situation is taut and would be sensitive to any touch of central bank braking, the quality of some banking assets has lately come under suspicion, as has happened in the United States too. There is a fairly wide spectrum of liquidity among the banks and some would find a squeeze most unwelcome.

There is now fear that the excesses in the issue of consumer finance paper could threaten trouble. Atlantic Acceptance Corporation is in default for $100 million of notes. This concern, whose assets have been multiplied from $20 million to $130 million in five years, combined a poor liquidity ratio, a high loss ratio, and a high dependence on the New York market. The question now, as market conditions are perceptibly tightening, is whether some other commercial paper will come under suspicion. There is too much accommodation paper in money market portfolios for comfort, and too much consumer credit paper of less than top quality. Whether the banks will come to the rescue in bailing out these excesses (they include bills sold by some dealers on "buy back" arrangements) is conjectural. New York bankers are becoming suspicious and renewal of anything but the best bills will not be easy. Hence the Canadian authorities may have to take some steps to assist the repatriation of some of this paper at a time when they would have preferred to tighten the screw somewhat against its excessive issue, and this against the background of a balance of payments with the United States that is showing a marked deterioration.

It is a situation that will call for all the Bank of Canada's ingenuity. It illustrates the distortions that unduly low money rates (established though they were to meet the necessities of monetary relations between Canada and the United States) can impose on the domestic economy. The slightest touch of clumsiness could affect prospects and confidence over a much wider area of the Canadian economy than is at present under a cloud. Yet the slightest assumption that rescue operations can be counted on could prejudice the cleaning up of an unhealthy situation in insecure paper.

* His prejudice against American control must have got the better of his reason in his proposals for restricting the growth of the Mercantile Bank, now owned by the First National City Bank of New York.

Before the inevitable voices are raised that the fault lies with the United States for imposing a check to growth on other countries, it must be said that the fault lies as much with Canada, and not least in a state of political thinking that regards higher interest rates as anathema. Under the new Bank Bill, the banks will still be limited to a 6 per cent ceiling. They have found ways of breaking through this in personal loan business, on which their outstandings have jumped from $1¼ billion to $1.8 billion in the last two years. But the volume of consumer credit as a whole has increased even faster than this, and had already run up to 18 per cent of personal disposable income by the end of 1963. The mortgaging of income on this scale would not have been so easy at more realistic rates of interest and the present financial dilemma carries some important lessons for the future.

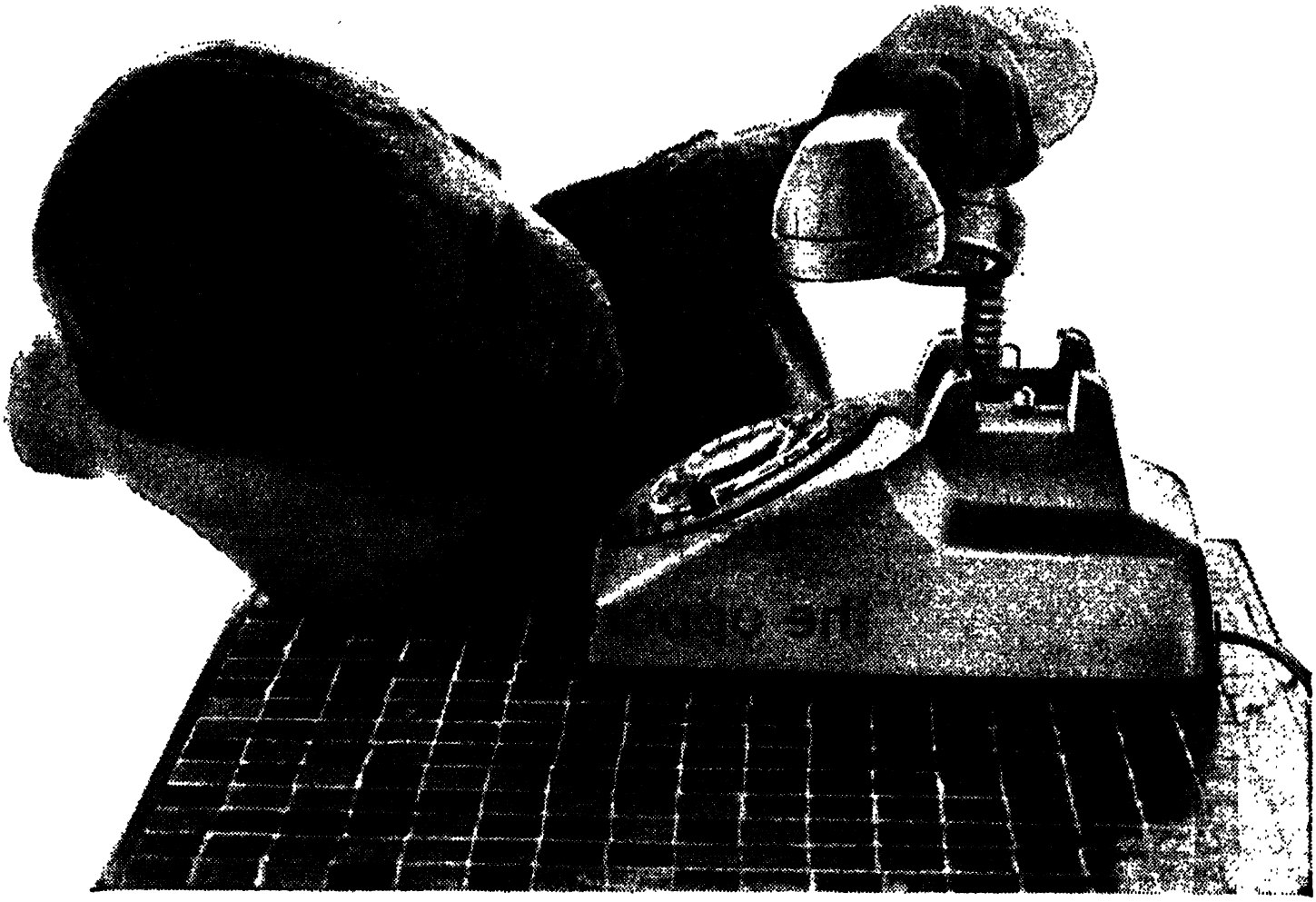
Whether it will have a material effect on investment intentions during the rest of this year is a matter of opinion. The guesses have been that construction and plant expenditures will be up this year by 14 per cent on 1964, which saw an even sharper rate of advance. At a time when confidence could be shaken, when the world's markets to all appearances are turning decisively downwards, and when the prices of Canada's resource exports are well below their peaks, there must be question marks about Canada's economic progress in the short to medium run—just as there are about everyone else's. But not, surely, in a longer run.

—Making a Nation

Canada has made an enormous investment in nationhood across its four thousand miles of water, prairie and mountain. Highways, railroads, air routes and pipe-lines run east to west. Increasingly, communications spider their way into the inhospitable north, where the temperature range is even more formidable than in populous cities from Montreal across to the Rockies. But the concentration of people is to the south; and their economic horizons point as much to the south, below the 49th parallel, as towards their neighbours.

SINCE confederation, the love-and-not-quite-hate feeling of Canada for the United States has maintained a mainly prosperous but sometimes uneasy relationship between the two countries. In their moods of confidence, Canadians think of a North American entitlement that ought to match the enormous economic power of the United States. But they are also afflicted by their sheer inability to do without American capital, American techniques, and the American market, if their economy is to grow at satisfactory speed. The split-mind created by this dependence is worried by a weaker sense of nationhood than has come out of the American melting-pot; it dwells on a Canadian difference, but is scared that it rests so much on an American sufferance.

These feelings have been basic for a hundred years. They formed the essence of MacDonald's Canada Policy, which put the building of a nation first and the building of an efficient economy second. They were at the root of Mr James Coyne's misguided campaign, when he was governor of the Bank of Canada, for a retreat into self-sufficiency and a "little Canada" policy. And Mr Walter Gordon, the present finance minister, is now involved in a policy of "Buying Canada back." How Canada is supposed to do this, and to what end, is not lucidly explained in a country that wants as near as maybe to match American living standards but cannot now, and



what makes it work?

Many things working together. Wire and cable, central office switching equipment, and microwave transmission systems for example. A few spins of the dial and you are connected to the one phone you want! Perhaps you take it for granted; it is a wonder to a child—it is a service yet to come to many countries.

Northern Electric makes the things that make telecommunications possible: from underground cable to trophospheric scatter systems. This wide product range employs over 18,000 skilled people in our seven manufacturing works in Canada.

Our research and development laboratories in Canada's capital, employing a highly-qualified scientific staff of over 600, are the largest private communications research facilities in Canada.

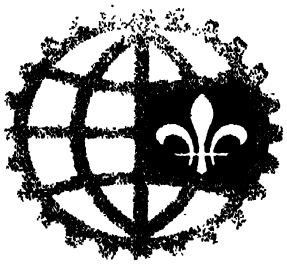
Northern Electric engineers cover much of the globe in helping to expand and modernize the communication facilities of other nations.

As Canada's prime supplier of telecommunications equipment, we have the facility capability and technical competence to provide ever-better communication systems.

One of the world's leading manufacturers of telecommunications equipment.

P.O. BOX 6123 MONTREAL CANADA

Northern Electric
COMPANY LIMITED



the time, the place, the opportunity

Québec covers an area of 524,000 square miles, the equivalent of Italy, France, West Germany and Great Britain put together.

Very few regions in the world enjoy an economic potential such as is found in Québec, the largest of the ten provinces of Canada. Moreover, the world's busiest inland seaport is at the entrance to the St. Lawrence Seaway at Montreal, industrial nerve center of Québec and Canada — and host to the 1967 World Exhibition.

Québec, with its northern territories still untapped, offers unlimited opportunities for development. Its forest, mine and hydraulic resources, together with the St. Lawrence River, which reaches for three thousand miles inside the North American continent, represent tremendous assets for economic expansion. In this regard, the Québec government is offering fiscal and other incentives which stimulate the participation of private investment in the development of new industries.

The Québec economy in terms of both human and natural resources is geared to a high level of diversification and a high rate of productivity — major factors of sound and profitable investment.

DEPARTMENT OF INDUSTRY AND COMMERCE

QUÉBEC

For further information on La Province de Québec, contact Quebec House, 12 Upper Grosvenor Street, London, W.1., England, or Department of Industry and Commerce, Parliament Buildings, Québec, P.Q., Canada.

perhaps never will, match America's achievement in output. The vigorous provincial leaders want to get more American capital, not less. In their eyes, Ottawa is frustrating the kind of development on which Canada has lived and expanded in all living memory. They are not obsessed with the often quoted percentages of American interests in Canadian enterprises—two-thirds of electrical manufacture, over 90 per cent in automobiles, three-quarters of the oil and gas, and a preponderant slice of the $400 million investment in Saskatchewan's new potash-extracting industry.

Resentment of foreign capital is a human failing, no doubt, but to portray this as a foreign yoke and a depredation of Canada's resources does no credit to her economic sophistication. The choice is between growth and the depressed standards that would go with economic nationalism. Mr Coyne was prepared to wear this hair shirt, but it does not feature prominently in Mr Gordon's prospectus for Canadianisation. "Buying Canada back" means for him wider ownership of Canadian enterprises by Canadians (fair enough, if they will put up the investment), greater independence for Canadian management, better export performance by American-owned companies that are not allowed to push their sales into the home base of their parents and release from their bondage of having to buy American plant and technique.

Mr Gordon's first crude attempts to lever ownership from American hands by prejudicial tax arrangements have been greatly modified, though they still give offence, as does his move in the April budget to protect the national integrity of the Canadian publishing business by disallowing for tax purposes the cost of advertising primarily directed to the Canadian market in publications of which Canadians own less than 76 per cent.

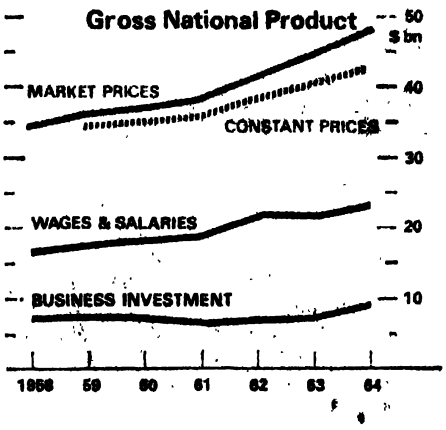
But there is another proposal for which Mr Gordon deserves more credit than he has been given. This is the Canada Development Corporation whose objects are to include financial participation in new enterprises, or in the expansion of large-scale industrial projects. The aim is to provide capital that would otherwise have to be sought outside Canada. This scarcely revolutionary idea might have made a less devastating impact on the Canadian financial community if it had come from someone other than Mr Gordon. Almost to a man, the investment business is against it—though how some of the minions of the Toronto Stock Exchange can have the grace to utter anything save peccavi, given its recent record, is difficult to understand.

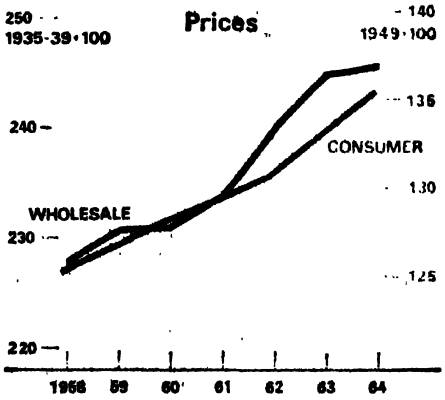
At least one respected member of the financial community, Mr Douglas Fullerton, has come out in support of the CDC. In an article in the *Financial Times of Canada* on May 17th, Mr Fullerton argued the advantages, and did not hide the risks. Of course, care would be needed in the structure, investment methods and direction of a CDC. Of course, political interference is to be avoided like the plague (fears about this lie at the root of Bay Street's mistrust, and they will have to be dispersed). Of course, it must not play the markets. Nor should it interfere with the instruments in the private sector that are filling the institutional gap—bodies like the Industrial Development Bank, Roy-Nat, the (French) General Investment Corporation, Canadian Enterprise Development among them, or major industrial holding companies like Argus Corporation and Power Corporation. CDC must, indeed, sell itself to the Canadian investor (who is not the readiest man in the world to hold equities) and must hold out promise of a fair, not extravagant, return.

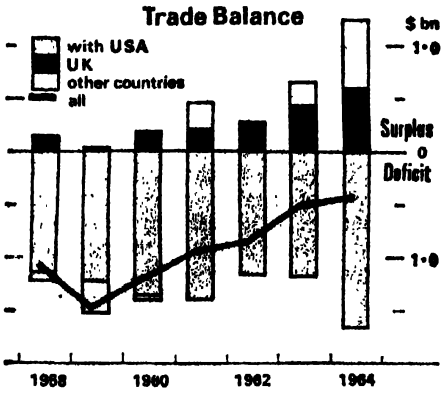
HIS CANADA IS FOR CANADIANS

There is a lot to be threshed out here. Not all the misgivings of responsible business leaders are atavistic; there must be close thought about putting into private hands responsibilities for conducting an operation that, in the last resort, becomes a matter for government. Yet this is surely an idea to be given a fair trial, for by providing a larger proportion of Canadian savings for future Canadian enterprise, it could make a big contribution towards greater Canadian self-assurance and provision. The way to modify Canada's dependence on an American customer and an American supplier of capital is to turn the exercise into interdependence through the means of economic liberalism, and not to attempt to frustrate it by economic nationalism. Whenever trade barriers have come down, Canada has benefited—think of what happened to newsprint after the reciprocity treaty of 1911 and to the agricultural machinery business. The automotive free trade agreement between Canada and the United States, signed last January, is in the same direction.

Economic integration is impossible. A North American common market or even a customs union between the two countries would show up the enormous disparity between the two economies, renew Canadian fears of political absorption, and present a hundred problems of industrial adjustment. The removal of trade barriers, to be realistically pursued, must aim at more limited objectives; pragmatic reciprocity rather than a universal design. This is what the auto deal has a chance to do. It challenges Canada's auto industry—not just Ford at Windsor, but a collection of bits and pieces makers—to become efficient. It can increase Canada's capacity to produce more wealth. This is what a national policy must nowadays be about. It must not be preoccupied about American intentions and offer insults in return for American money.







Ten Premiers

Across Canada, the ten provinces have leaders of real strength, at ease about their own provincial affairs, and even aloof about their relations with Ottawa. They are supported by ministerial colleagues of varying quality, but provincial administration is coming closer to matching Ottawa's official excellence every month. The premiers have projected themselves as national personalities, and some of them could become contenders for national power.

W A C BENNETT earns his "Wackie" out of respect nowadays. In him there is an unconventional energy that has come right in a half a dozen ways. Three years ago, he boasts, everybody said that British Columbia was broke. Bay Street, Wall Street and Throgmorton Street awaited his fall with impatience, after his rough take-over of B C Electric. It was the biggest throw in a series of gambles since Bennett switched from conservative politics into B C's brand of Social Credit fourteen years ago. Bennett wanted B C Electric so that he could develop power from the Peace River. Then he saw Ottawa off by insisting on the development of the Columbia River scheme in his way (having nearly come to grief on a different deal ten years earlier) and wrote the terms of the treaty for the supply of its water to the United States. Bennett, the two river king, put $275 million under B C's belt for the Columbia payment, and lent $100 million of it to Quebec. He now boasts that the banks owe him $85 million.

British Columbia is developing wealth so fast that it is showing indifference to capital from the east. Bennett's government is spectacular, unorthodox and it delivers in plenty. Power rates have been cut, ferry services to Vancouver Island have been taken over and are splendidly run, the highways are a marvel, and the dead Pacific Great Eastern railroad has been revived to open up exciting prospects in mining, gas and lumber in the rich north. "Progress, not politics" is Bennett's label, and British Columbians have got used to the idea of perpetual boom and inexhaustible resources. Bennett's one defeat is to be denied his own bank, but he has been denied things before by Ottawa. He boasts that B C has the lowest taxes, the fullest services and the highest wages of all the provinces. His disregard of Ottawa is magnificently rude. The federal-provincial conference called for June was put off for a month because he and five cabinet colleagues went off to Japan; he came back with a bundle of Japanese plans for yet more pulp and paper. British Columbia joined confederation as an adherent, not as a founder, and somewhat lacking conviction; there has been plenty of rhetoric about secession down the past ninety years, long before Mr Ralph Loffmark, B C's Minister of Trade and Commerce was hinting at it two months ago. Bennett's "dynamic society" feels itself distinct from Canada, and makes much critical noise about "the tax money that Ottawa takes from us," though it does not refuse federal money for highway construction. Pressure on Ottawa is good provincial politics, but that is something different from separatism, even for a province whose natural field of vision looks across the Pacific and south to the Western States, rather than eastward over the Rockies.

ERNEST MANNING in his middle fifties has been premier of Alberta since 1943. The province was then passing through a period of disappointment, for after the discovery of the Turner Valley oilfield in 1936, some $50 million was poured into dry holes in the next decade, and the number of explorers had shrunk to a dozen. Alberta's oil production then was worth less than $20 million a year. Last year it was worth more than $650 million. Since 1947, Alberta has received $1,685 million from land sales, rentals and royalties; last year, $188 million; and in the first quarter this year, $53 million.

This is Social Credit Alberta style. When the Leduc field was found in 1947, Alberta was oil-borne, and began to generate wealth on a fabulous scale for a province that was, within living memory, literally bankrupt. Sitting on this twenty-year old jackpot, Mr Manning has behaved with simple restraint, and has kept corruption out. No drink, no tobacco, and his Back to the Bible Sunday radio prayer meetings are the mark of the man. He also holds an

immense reserve fund which is earmarked for capital development. Mr Manning does not carry austerity to the point of imposing road tolls or sales taxes, but he believes that thrift is virtuous and so pays only half the cost of education from provincial funds, while he exacts $2 a day from hospital in-patients.

Quiet effective government put Alberta ahead of Saskatchewan in Mr Manning's early years and the oil maps of Alberta are now closely dotted. But he always asserted the public interest in realising Alberta's oil assets on the best terms, to give the industry the best, and the most scrupulous, deal in the prairies. They say that after a near quarter century, Manning is feeling a bit bored. That would be natural; but it would be equally in the premier's quiet character to work for a more rational offtake of Albertan gas to the United States, which involves transit through Mr Bennett's republic and competition with his gas. If anyone could dissolve the Rockies and Mr Bennett's pride in going it alone, perhaps Manning is the man.

ROSS THATCHER is a former member of the NDP turned Liberal, who leads Saskatchewan with a majority of five, after last year's elections. The former government gave the people medicare and hospital services which, Thatcher emphasises, may be popular but are not free. It also put on, he says, 600 new taxes and increased 650 others; set up crown corporations to make bricks and run insurance and created

suspicion and resentment in the oil industry. Thatcher's line is to show what private enterprise can do, though to be fair to the previous government, experience was teaching it the same lesson.

He is an energetic salesman for his province, claiming a big success in attracting development for potash—four plants have been opened up in the past twelve months and others are advanced. They sluice the potash out hydraulically nowadays. He is fighting to get depletion allowances for them, which Mr Gordon has refused on the ground that these are not "mines." He has the largest heavy water plant in the world, a new oilfield which may match Leduc; he offers a 50 per cent subsidy for prospecting; and even boasts a winery—"I don't know where they get the grapes from, but they give jobs to fifty people." Three lumber companies are now working, but no pulp mill yet. Thatcher is the sort of man who has the nerve to tell a Vancouver audience, in a region where timber grows nearly as fast as beanstalks, that now is the time for them to get in on the ground floor of Saskatchewan's cold forests.

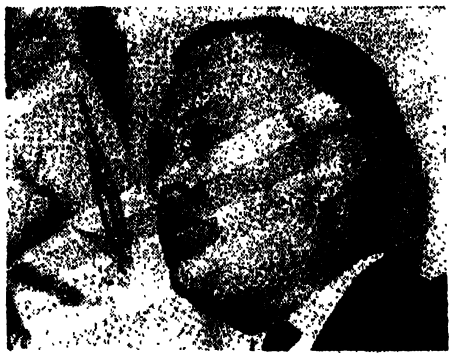
DUFFERIN ROBLIN is universally Duff, a conservative leader of conservatively minded Manitoba, a province that shows much less dramatic change than its neighbours on either side. He is one of the possibles for national Tory leadership (he has the advantage of fluent French), though not ready to declare his hand while Mr Diefenbaker is still there. He succeeded a penny-pinching Liberal government in the province, which was more concerned with sound finance (Manitoba bonds get the top market rating) than in economic development. His government is making brave attempts to get a more vigorous rate of expansion.

Duff Roblin is 47, not the most dramatic of physical figures, a strong advocate of co-operative federalism, expecting Ottawa to fill in the gaps that by nature or by constitution the provinces cannot fill themselves. He has a clear picture of the role that his government should play in encouraging Manitoba's economic progress. Manitoba, the gateway to the west, was set back by the Panama Canal. Now in the jet age, Winnipeg's new international airport is increasingly over-flown, and Air Canada are trying to bring their repair base to the east. There are no prospects of a gushing oil industry. Mineral development has been active but comes in large lumps, like International Nickel's Thompson mine. Fifty per cent of Manitoba's less than a million people live in Winnipeg, and 75 per cent from Winnipeg's latitude to the south. Manitoba is making less headway in its empty, difficult but richly endowed north than British Columbia or Alberta. Duff Roblin has to decide whether this is his challenge or his barrier.

JOHN ROBARTS is the admirably sound conservative premier of the richest and most populous province in Canada. Ontario could get along even without its north, for its spectacular riches lie concentrated in the golden horseshoe of industrial complexes from Toronto to the United States frontier. Ontario is a province where, in Canadian terms, there is little usable room left; where expansion has come vigorously from market pressures and much less from the work of its economic council, and where, in the person of Mr Stanley Randall, Ontario's Minister for Trade and Industry, the province projects itself vigorously as an exporter all over the world. In his politics, Robarts is a man of moderate eclecticism.

He is for Canada, not for an orangeman provincialism, though he is not above using the red ensign, for which Mr Pearson substituted the maple leaf, as the new provincial flag. Indeed, he gets on well with Mr Lesage in Quebec, and has concerted, together with Ottawa and Quebec, his provincial pension plan on identical terms—to provide an important source of new funds for Ontario development.

Robarts is one of several premiers who are being cast for national conservative leadership. He has no French, and makes no bones about it. His attraction would be a record of businesslike government in Ontario, coupled with the powerful probability that he could deliver the Ontario vote for the conservatives. In the federal election three years ago, the liberals did well but many of their seats are held on narrow margins. Robarts swept the board a year later, but what he may lack is the lustre that national politics demands, and the power to translate from Queen's Park in Toronto to Parliament Building in Ottawa. In this biggest of provincial ponds, Robarts is a sturgeon, and who would blame him if he elected to remain one? Not the majority in Ontario.

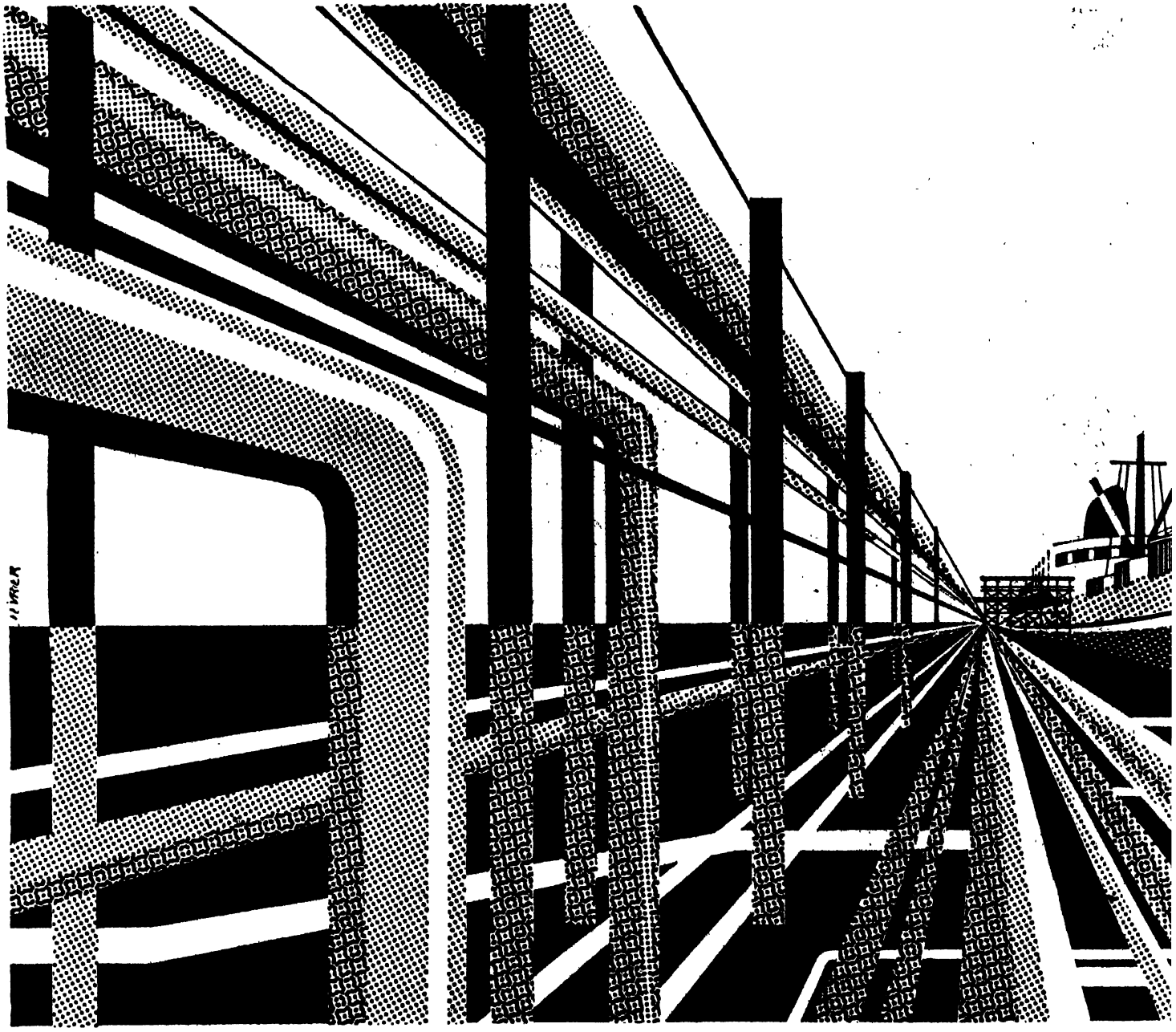


JEAN LESAGE deserves much of the credit for Quebec's economic and political revitalisation since his liberal government took office in 1960. His political coup in 1962 took Quebec's power utilities into public ownership and gave his government of young talents a confidence that *la belle province* had lacked throughout the Duplessis years of reaction. Yet Lesage is not a happy confident man. The handsome face is flushed and shows signs of strain. He is sensitive to criticism that Quebec's revolution has lost momentum, that he has reverted to bourgeois establishment thinking and the press is treating him roughly.

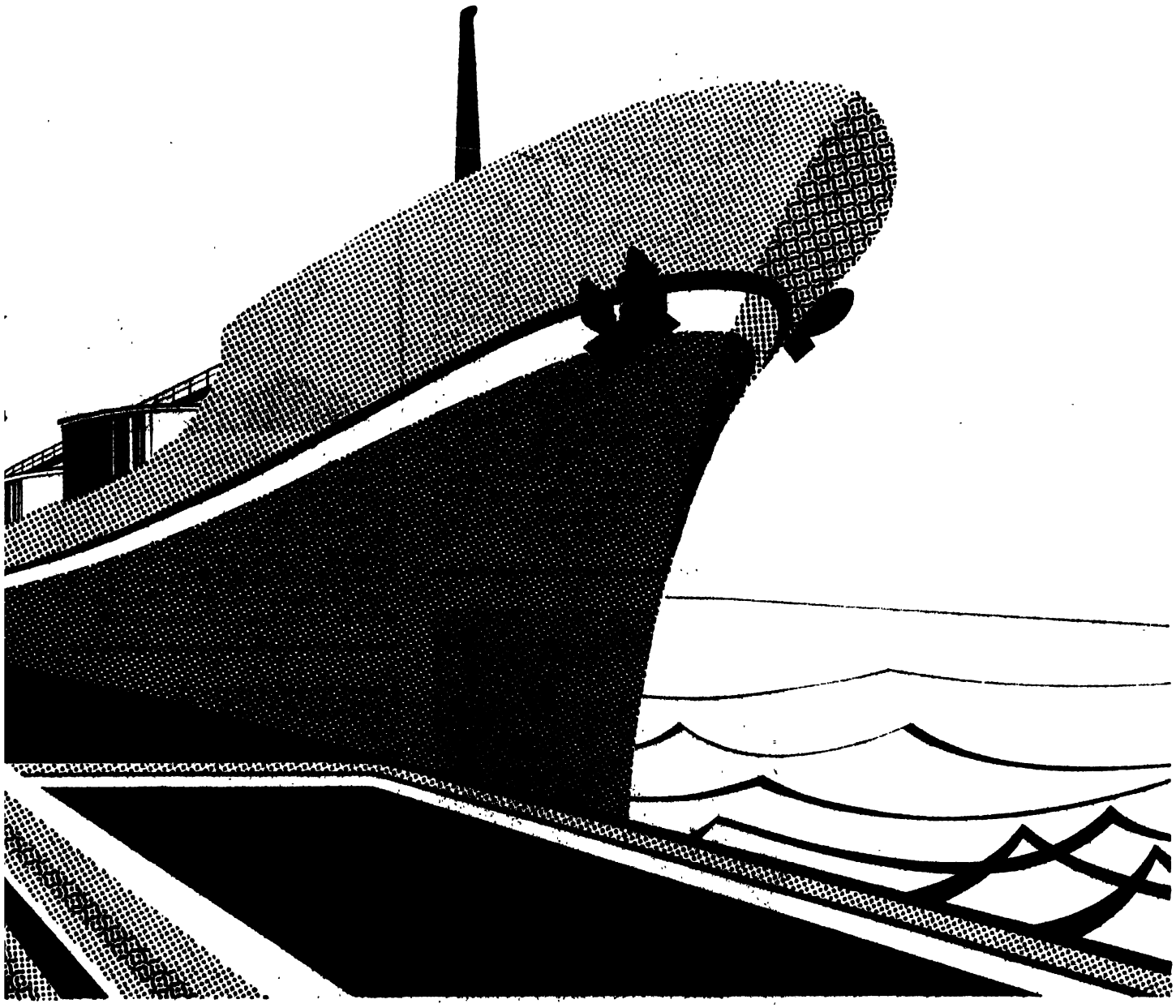
Lesage has a name for intestinal thinking, and it can lead him astray. Part of the lonely eminence he assumes among his vigorous and sometimes less than co-operative colleagues comes from the fact that he himself has become less concerned with cabinet collectivity since the triumphs of 1962. His process of government has some unwelcome Duplessis overtones, for Lesage works increasingly through a group of confidants and personal aides, taking decisions on such sensitive matters as the Fulton-Favreau Formula (see page xxiii) and Sidbec, Quebec's new steel project, without consultation—and hitting trouble from a majority of his ministers.

He is still strong, and still an attractive political animal. If he disregards his friskier colleagues, it is not through any fault of megalomania, but rather from a basic insecurity in his make-up. He wants to be well thought of by the French-speaking financial leaders along Montreal's rue St. Jacques. He has always declared himself a confederation man, which is asking for one's political throat to be cut in Quebec. He has not lived down the sharp reaction from the left against the stiff police action on "black Saturday" during the Queen's visit to Quebec.

The brio of the liberal revolution of three years back is losing way to a noisy, well-publicised dissension as ministers on the left wave their personal nationalist banners—Mr Gérin-Lajoie pushing the claim for separate treaty-making powers in matters



haute cuisine à basse température?



Every time the 'Jules Verne' ties up at Le Havre, she brings from Algeria enough gas liquefied at −161 C to supply 250,000 French homes for ten days. And 9% nickel steel, especially developed by International Nickel for low-temperature service, is playing a vital part in the vast imaginative project devised and operated by Gaz de France.

Development of new materials is only one of the ways in which International Nickel helps industry in its demand for high quality materials. Its nickel supplies are backed by programmes of research and market development, designed to find new applications, new markets for new and improved nickel-containing alloys.

at the service of industry

INTERNATIONAL NICKEL

INTERNATIONAL NICKEL LIMITED THAMES HOUSE MILLBANK LONDON SW1

within Quebec's provincial competence ; Mr Pierre Laporte visiting Paris to sign a cultural accord ; Mr Eric Kierans applying some simple accounting to show that a mixed company set-up for Sidbec would be financially silly and that public ownership makes complete sense—in this case ; and Mr René Lévesque, who now seems to brood a little sadly on the edge of the cliff of separatism to which his thinking of two years ago led him, but remains consumed with twentieth-century socialism for Quebec.

Lesage spends a good deal of his time with the unwanted babies that his ministers leave on his doorstep. He also gets needlessly involved with some of his own foundlings, though when he has a cause to fight, no one handles it more vigorously or logically. A good example is his recent move to petition the Queen for the removal of Quebec's Legislative Council—the upper house that comes down from the days of Lower Canada with a fixed membership of twenty-four and is dominated by the Union Nationale.

Lesage's metaphors about Quebec's progress are drawn from flying. In 1960, he says, Quebec was a political and economic DC3. In 1962, it became jet-propelled and went off at terrific speed ; it is still going as fast, but with the familiar illusion of stationariness at 600 miles an hour. Lesage is enthused by this speed of action but he insists on a certain prudence before attempting to go supersonic. Some of his colleagues seem already to be operating at Mach 3.

JOSEPH ROBERTS SMALLWOOD is "Joey" to friend and foe. He matches Bennett for colour and headline catching. He is open, available, and the admired ruler of Canada's underdeveloped province of Newfoundland. Its population, just short of half a million, has bred into it a sufferance of past poverty. Joey has bred into him a tough career as journalist and union organiser ; an important literary talent and historical taste that produced the *Book of Newfoundland*. In 1934 Newfoundland was bankrupt, and was put under the care of a colonial commission in London. A large section of the population was close to

starvation, dumbly accepting the fact that fishing and newsprint, on which the territory depended for a modest income at best, were hopelessly depressed.

Smallwood led Newfoundland after the war into union with Canada. It is a suppliant province, fed by subventions from Ottawa, since its population has to make do with an average personal income of no more than 60 per cent of the Canadian average, and only half that of the average for Ontario. Pressed by the attractions of mainland Canada, Smallwood has been projecting Newfoundland as the development frontier of the future. Pulp and paper, minerals, power are what he has to sell to immigrant capital and enterprise. He has reversed the drain of emigration to Canada and the United States. He has built over a thousand new schools, and has set a new feature for other provinces to ponder—free first-year university education. This peppery, spicey, little man of less than ten stones has a manner and a mind, a fighter for his people, many of whom live in the small isolated "outports" which Joey is trying to bring together into larger and better-served communities. The accent in Newfoundland is on "new."

R. L. STANFIELD presides in Halifax over a province that has a standard of living not greatly in advance of that of Newfoundland. Nova Scotia depends to a degree on a difficult coal mining industry, eight miles under the sea, the output of which costs nearly $16 a ton to put down in Ontario and requires a subsidy of $8 to compete with Lake Huron coal. His policy of industrial diversification is made difficult by the lack of a sizeable provincial market, since the population is only around three-quarters of a million. But Stanfield has made a start, with federal assistance, notably by the setting up of the Volvo car plant—one of those tiny economic babies that will want careful incubator treatment for five years before it can survive independently. And he is reported to have another car deal in the bag, this time for the Toyota company of Japan, who are credited with a lively appreciation of the possibilities of supplying the American market under the recent "free trade in autos" pact between Canada and the United States. Stanfield is another provincial conservative leader who is being measured as a possibility for the Diefenbaker succession.

WALTER SHAW has charge of Prince Edward Island, Canada's smallest province with little more than one hundred thousand population. Its roads are a joy to vacationers, and Ottawa readily pays for them to ease the economic problem of the island. Potatoes are its agricultural staple, and they make fortunes for nobody. But Charlottetown is where today's Canada started.

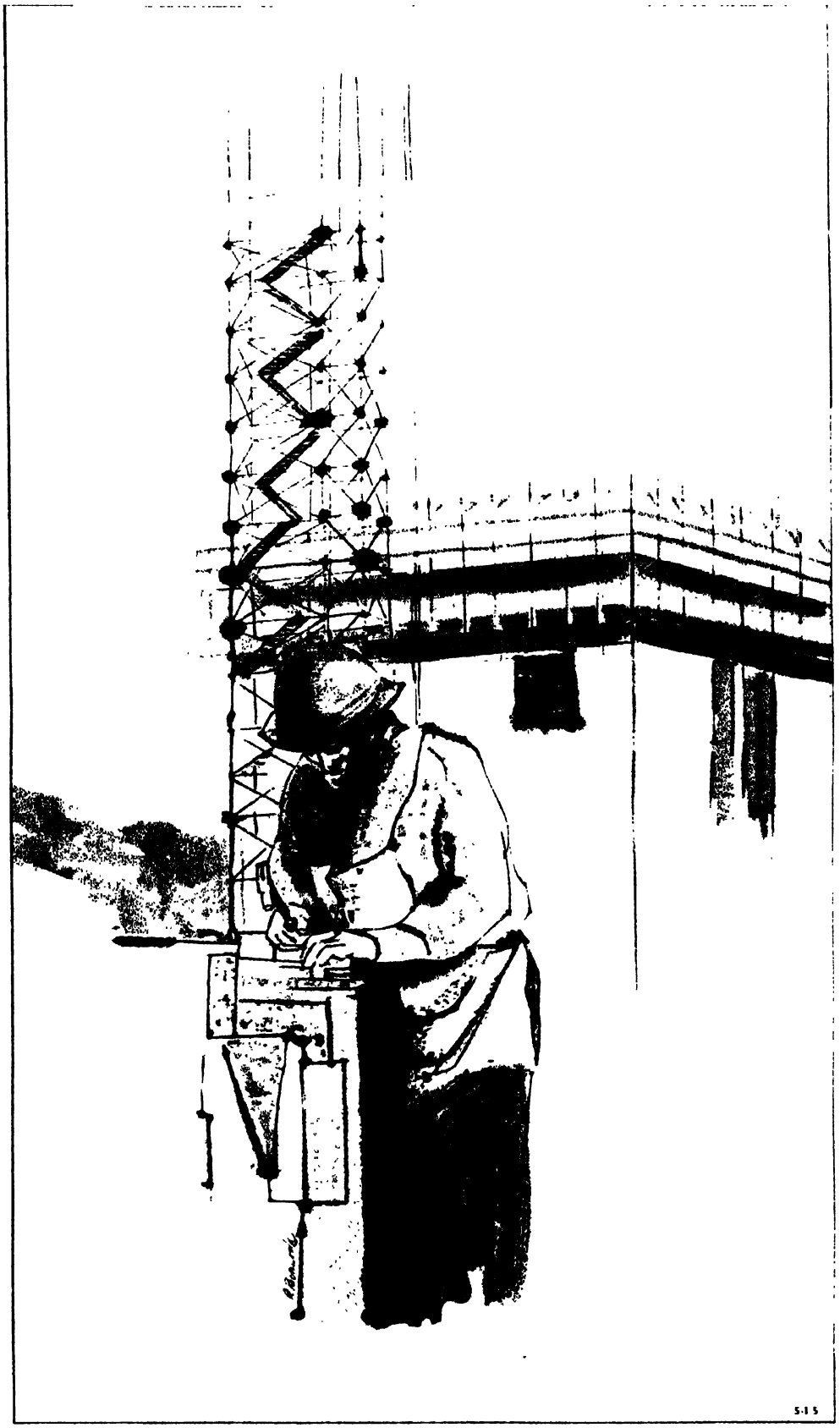
LOUIS ROBICHAUD is the French-speaking premier of New Brunswick. He is the Acadian leader of a province that rarely emerges in Canadian discussion, which tends to sweep all the Maritimes together as under-developed and anachronistic survivals of a long past colonial age. But the *revolution des berceaux* is not to be ignored, even though New Brunswick will still have to rely on Ottawa, and will obviously be one of the targets for the new campaign against poverty that Mr Pearson's government has lately set up under Mr Tom Kent. And although Quebec gets all the headlines about French language and cultural problems, New Brunswick shows without fuss how a 40 per cent French-speaking and 60 per cent English-speaking population can live together as a community.

Another
Falconbridge
nickel
mine
headframe
rises,
its fresh
concrete
glistening
in Canada's
northern
sunshine.

Falconbridge,
a
world-ranking
mining
and
industrial
organisation.

FALCONBRIDGE

In London / please contact
BRANDEIS, GOLDSCHMIDT
& Co. Ltd., 30 Gresham St.



5-15

OTTARIARA
JAIKRISHNA

Powerhouse, Ontario Style

Even people who know us well are agog at our progress in power. The world's second largest nuclear generating station is now under construction in Ontario, Canada.

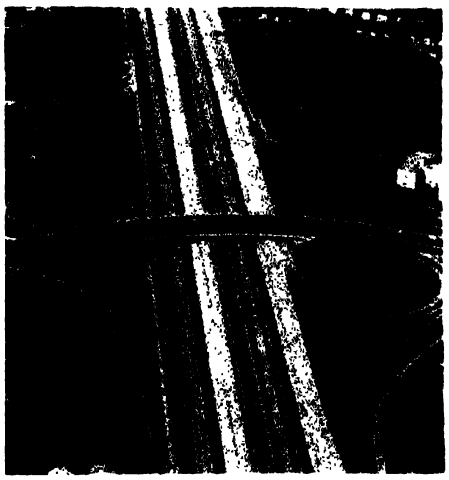
You've undoubtedly heard about Ontario's rivers, lakes and minerals. Indeed we have rivers. *We harness them for power.* We have lakes. *In one of them we searched for power and found the first off-shore gas wells in the world.* We have minerals. *A vast supply of uranium fuels our nuclear power stations.* The photo at left shows the fueling face of Ontario's *second* atomic power plant—the only full-scale plant in North America using low-cost natural uranium. This unique reactor was designed and engineered in Ontario. A third nuclear generating station, with an initial output of 1,080,000 kilowatts, is now under construction. Other developments which help to make Ontario a province of steady growth and opportunity are shown below.

The Royal Ontario Museum has the largest collection of Chinese art and archaeological treasures outside of China. This Ming Dynasty glazed figure of Yen Lo is one example of the many superb objects on view.

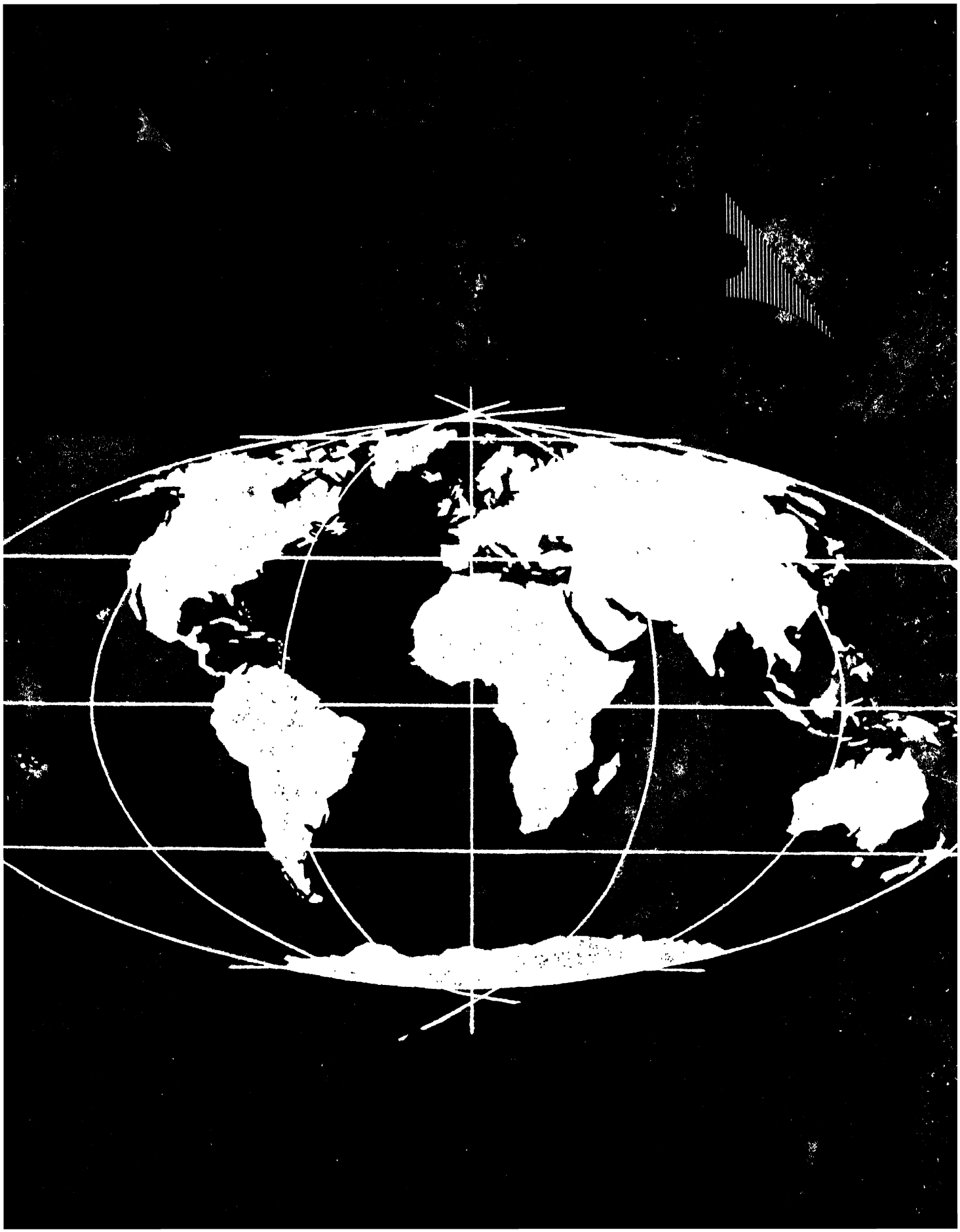
UTTARPARA
JAIKRISHNA PUBLIC LIBRARY

The 710-foot S.S. Ontario Power was built at Port Weller, Ontario. Not only is it the largest self-unloading, ocean-going ship to navigate the St. Lawrence Seaway, its revolutionary design allows it to carry great loads in shallow water.

John Kenneth Galbraith, American ambassador to India 1961-63 and now a professor of economics at Harvard, is a graduate of the Ontario Agricultural College (University of Guelph). This college, with students from many countries, contributes directly to the future welfare of people in many lands. Recently Mr. Galbraith received an Honorary Doctor of Laws Degree from the University.



ONTARIO, CANADA—PROVINCE OF OPPORTUNITY Government of Ontario, 950 Yonge St., Toronto. Offices in London, Düsseldorf, Milan, New York, Chicago.



Consensus for a Constitution?

Since the Pearson government took office just over two years ago, Ottawa has seemed to lose ground to the claims of the more aggressive provinces. There are, in fact, two confrontations—the ambition of Quebec for some greater expression of nationhood, though there is no word that precisely expresses its more strident claims: and the claim of other provinces with no linguistic or cultural problems (and no great sympathy for Quebec's either) to order more of their own affairs for themselves

UNDER Canada's constitutional arrangements, the provinces have always enjoyed wide powers and the Canadian boom has made them a rewarding exercise. Confederation, they like to argue, does not mean that the federal government exercises reserved powers, but that it picks up the responsibility for residual powers that the provinces are content to pool. Canada has no central education authority, because education is a provincial matter. So are welfare, health, resources, mining, agriculture, labour and (Quebec says) cultural affairs. Ottawa is left with diplomatic relations, defence, the post office, currency and central finance and banking.

The British North America Act of 1867 gave Canada a form of constitution which lacked any power of amendment, save by reference back to the British Parliament. Constitutional change in Canada has been a matter of anxious and sometimes bitter debate since the dominion-provincial conference of 1927. Obviously a federal form of government of associated states can work satisfactorily only if it has a built-in power of constitutional amendment. Federation itself implies that differences exist among its adherents that rule out a unitary system of government; but these differences change, and so may modify the optimum distribution of power between federal and provincial hands. The only means of change has rested with the formal power of the British Parliament to amend the BNA Act. This foreign power of decision over what should be Canada's exclusive affairs has been made to work without embarrassment by the emergence of a convention that amendments will be automatically enacted at Westminster when they are proposed in a joint address by the Canadian House of Commons and Senate to the Crown.

As soon as Canada can reach a consensus through federal-provincial discussion, its constitution will be "repatriated," giving it control over its own decisions about constitutional change. The struggle towards a consensus has been long and turbulent, but after forty years of discussion there is increasing promise of a meeting of minds. The most important working document is the so-called Fulton-Favreau formula*, drawn up by conferences of federal and provincial attorneys-general and endorsed by the Prime Minister and all ten provincial premiers last October. This promises a wholly Canadian constitution for the first time in Canada's history, and it represents the best balance that has yet been worked out by agreement between federal and provincial governments.

In essence, the matters calling for amendment have been broadly defined for thirty years and the Fulton-Favreau formula itself descends from a steady working out of provincial and federal understanding. First, no constitutional change affecting the legislative powers of a province, its rights and privileges, its assets, or the use of the English or French language can be made without the concurrence of all provinces. These are the fundamentals of provincial freedom within federal form, and they call for unanimity. Second, any change in the constitution affecting one or more (but not all) provinces requires its or their concurrence. Third, changes that affect education require the concurrence of all provinces; these provisions are of long standing in Canadian history and thought. Fourth, any other constitutional changes will require the concurrence of at least two-thirds of the provinces (a minimum of seven out of the ten) representing at least half the Canadian people. And fifth, it is proposed that four or more provinces should be able to authorise the federal parliament to make laws in provincial fields of jurisdiction and, in reverse, that parliament should be able to authorise four or more provinces to legislate in fields of federal jurisdiction.

Most of these propositions lie within the historical development of Canadian constitutional affairs. In particular, provinces may not be denied their legislative powers without their consent, as they were defined in Canada's founding statute a hundred years ago, and have developed with changes in the distribution of power and in the development of provincial and federal institutions. The power of delegation proposed under (5) above is new, but in the sense of providing more flexibility without threatening any fragmentation of legislative power. No province would be able to change its own status within confederation. And no single province could impede changes agreed by other provinces. No independent action and no veto, save for the protection of fundamental rights: these seem reasonable guide lines indeed.

THERE are some who say that the Fulton-Favreau formula is still-born, as if it were a set of entirely novel ideas and not the emerging result of a process of constitutional re-thinking that has kept its momentum for a generation. There are others who say that despite Mr Lesage's acceptance of FFF last October (his conviction that it is a sensible approach remains unchanged, despite critical howling) Quebec will not have it. Mr Lesage meanwhile is preparing for the time when constitutional reform may be introduced by moving to rid Quebec of its second chamber, the Legislative Council. Others apart from the restive and forceful Quebec cabinet might think that the Council is something of an anachronism; it was created by section 72 of the British North America Act 1867 and consists of twenty-four members holding office for life, with no built-in means of imposing euthanasia on it.

But it is not merely Quebec's hotheads who think that FFF does not go far enough. Two admirable minds were working last year on this same dialogue—one a Catholic French-Canadian and a conservative, the other a protestant of Scottish descent and a liberal. One was Marcel Faribault, of whose remarkable quality an assessment is offered on the next page; the other Robert Fowler, president of the Canadian Pulp and Paper and Newsprint Associations. The preface to their book* (published in English and French) sets out the several terms of a wager that they made late one night in Texas fifteen months ago—among them, "to dare, mere individuals that they are, to offer for consideration by Canadian statesmanship a tentative sample of a constitution which is neither too one-sided nor too radical."

* The Amendment of the Constitution of Canada. Queen's Printer, Ottawa. $2.

* Ten to One: The Confederation Wager. McClelland and Stewart, Toronto/Montreal. $2.50.

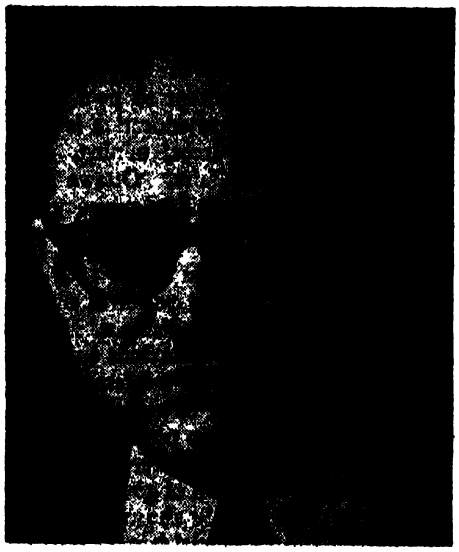
Pleading for more tolerance and good humour in this debate, FF argue for a constitution more comprehensive and imaginative that FFF provides—"a resounding declaration of our present national agreement and a point of departure for our future unity" rather than tinkering with clauses of the BNA Act. Not that FF quarrel with what is proposed by FFF. But they prefer something nobler, more evocative and more detailed to replace the dull form of the 1867 Act. They want to spell out individual rights, under the constitution, by which Canadians can live, move, express ideas in French and English, hold beliefs and trade; to define the powers and responsibilities between federal and provincial governments, emphasising the desirability of local decision but allowing room for a federal action that can be taken with resilience and immediacy.

FF analyse these matters in clarity and detail, always under the guiding principle that federalism has to reconcile diversity and unity, independence and interdependence. Whether the constitutional forms that FF suggest should be called co-operative federalism or some form of association of states or something else again concerns them not at all: they look for workable solutions in specific fields, and begin with details, not with general principles; their approach to a new Canadian constitution is in pragmatic terms, with cooperation as its unending sequel.

This meeting of minds is a fact of real promise for Canada. That FF are long personal friends makes no difference to the qualities of intellectual charity that they have brought to their constitutional agreement. Nor do different polarities of language or religion. The Confederation Wager can itself be viewed as a personal achievement of unity out of diversity and it has impressed all thinking Canadians—those lucky twenty million whose vastness of territory gives them room to grow and still keep their different personalities. The quartet in F major—Faribault, Favreau, Fowler, and Fulton—have made what seemed hazardous only a few years ago into a practical and desirable exercise towards building a new nationhood.

Marcel Faribault

First, at a private symposium of Canadian journalists on Quebec and the French question two years ago with this British reporter privileged to attend, and excited by what he heard. Then in the constitutional exercise "Ten to One", discussed above. And third, with the renewed good fortune of a recent meeting in Montreal. There are few more impressive candidates than Marcel Faribault for a journalist's attention in Canada—perhaps none more impressive in Quebec.



Two years ago, Faribault had been above all the lawyer, formidable in his constitutional logic, with an almost frightening determination of thought; in appearance the businessman but in spirit an *éminence grise* of Quebec's intellectual revolution, a man of the rue St Jacques establishment, but himself impatient for change.

Little known then outside Quebec, Faribault has since become a force of intellect and civilised manners that is already admired across Canada and will soon be discovered outside. His family arrived from France more than two hundred years ago, producing six generations of notaries and lawyers; Faribault has crowded into his sixty years a deep training in the law, something of the academic, and a full career in business. He runs Trust Général du Canada (assets around $450 million and latest earnings over $500,000 on owned resources of $6½ million). He is conservative and capitalist. A moderate capitalism, he once told his stockholders, is one means by which man, created in the image of God, can himself become a creator, "especially that modern form of capitalism called a corporation." The influence of such thinking on the dozen companies which Faribault helps to direct must be rare indeed.

Faribault is a man of order and intellectual persuasion, anxious that Canadians should have a clear philosophy and standards, convinced that they need rules to guide them, but always the democrat and in no sense authoritarian. He believes in Quebec as a nation, not in any legal sense, but as a sociological and ethnic entity. He made a profound impression on Conservatives who would rather not think about Quebec (they include in particular Mr Diefenbaker) at a party conference at Fredericton, New Brunswick, last September. In "Ten to One," surely it is Faribault who observes "Perhaps a Canadian with little or no interest in courts or titles of nobility, can recognise that many other Canadians want, deeply and emotionally, to retain the monarchy." Faribault was taking a stiffer line than this two years ago. He deplores bitterness in Canada's discussion about the future, and sees no reason for gloom about it either. He is anti-separatist—bad for Quebec to be isolated and no less bad for other provinces to be cut off from the rest of Canada by a separate Quebec.

This formidable intellect does not lack heart or eloquence. Could he project into national politics? Not while Mr Diefenbaker is there. But with new leadership? Faribault might have the power to deliver the conservatives from the destruction they suffered in Quebec three years ago. He could help to rid the party of some of its fears about republicanism and bring some sense of realism into the party leaders' pipe dreams that some miracle is going to deliver Quebec again into their hands, as in the thirties and forties. Mr Balcer withdrew from the conservative party, unable to stand any more of this, and Faribault is a Balcer man.

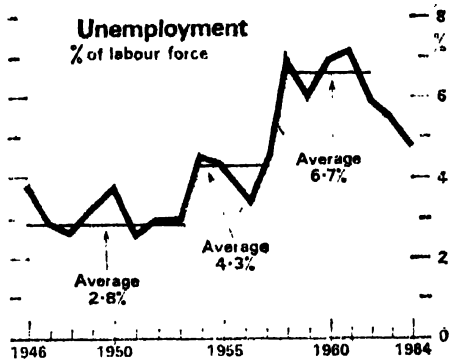
When the time comes for change in the Tory leadership (and that Mr Diefenbaker alone will decide) there might be a good chance that Mr Davie Fulton (another Diefenbaker defector, from the west) might have Faribault as his team mate. It would be a combination strong enough to give the liberals a great deal of trouble, for in any early election they would have to rely on sweeping Quebec. A second FF partnership? Faribault keeps quiet, noting merely that politics might sometime become interesting, and perhaps even a duty.

Goals for 1970

Canada is booming. Canada is much more efficient. What sort of advance is possible in the next five years? The first annual review of the Economic Council of Canada presents a thoughtful study of the possibilities of full employment, high growth, reasonable price stability, a viable balance of payments, and equitable distribution of rising incomes.

THE RECORD

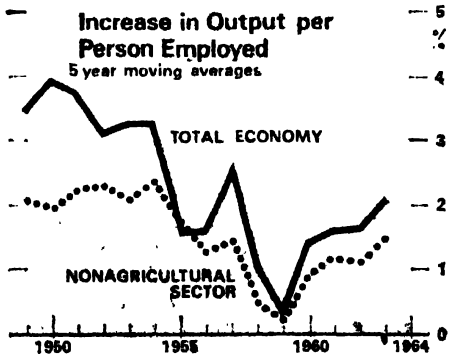
Canada's past performance has been mixed. Periods of consistently high standards of performance have been short-lived, and these five basic objectives rarely attained together. Since early 1961 the business upswing has been more broadly based, less investment-centred, and better sustained because resources have not been overburdened. But unemployment is still well above the postwar and mid-fifties rates, and higher than in other industrially advanced countries:



Between 1946 and 1963, Canada's output doubled; it increased a head by 30 per cent; per man employed by 50 per cent, and per man hour by 70 per cent. But in the last decade these rates of increase have been lower than in the postwar years:

ANNUAL GROWTH RATES PER CENT

	1946–63	1946–53	1953–63
Gross national product	3·9	4·5	3·5
Population	2·6	2·7	2·4
GNP a head	1·3	1·7	1·0
Gross domestic product	4·2	5·1	3·6
GDP per man employed	2·3	3·4	1·6
GDP per man-hour	3·3	4·5	2·4



"Over the past decade the Canadian economy appears to have experienced one of the slowest rates of growth of any industrially advanced country . . . " given its much more rapid growth of population.

But in the last decade the economy has not suffered from the price distortions that arose in the postwar resource boom:

ANNUAL PRICE AND COST CHANGES PER CENT

	1946–53	1953–63
Consumer price index	5·9	1·4
Wholesale price index	6·8	1·0
GNP price deflator	6·4	2·0
Unit labour costs in manufacturing	6·0	1·1
do. after exchange rate adjustment	7·1	0·2

In recent years, Canadian prices have kept closely in step with American prices and since 1960 the reduction in the exchange value of the Canadian dollar has brought a significant improvement for Canada.

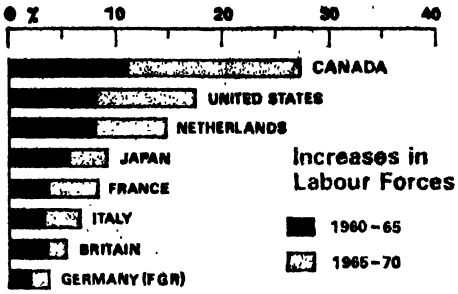
The Economic Council is charged to assist balanced regional economic development. Since 1947 these areas have shown remarkable similarity in growth of personal income a head, ranging from 4.2 per cent to 4.9 per cent (this latter for Quebec) against a national average of 4.5 per cent. But the provinces vary enormously in their wealth-producing capacity:

PERSONAL INCOME A HEAD AS PERCENTAGE OF CANADIAN AVERAGE

Province	1926–28	1946–48	1961–63
Newfoundland	—	—	59
Prince Edward Island	56	56	62
Nova Scotia	67	80	75
New Brunswick	62	72	67
Quebec	85	83	87
Ontario	115	115	117
Manitoba	103	103	98
Saskatchewan	101	96	96
Alberta	115	109	101
British Columbia	121	115	114

THE POTENTIALS

Regional development is the council's next study. Its first report looks at the potentialities for the Canadian economy as a whole—"a calculation of the possible, not a projection of the probable." The key fact here is the prospective expansion of the labour force, more rapid than in any other advanced country.



The 20-24 age group will increase in the next five years by a third. By 1970 women may number 2½ million of the labour force, a million up in a decade. As the population rises to 22 million by 1970, this is how the labour force is expected to grow:

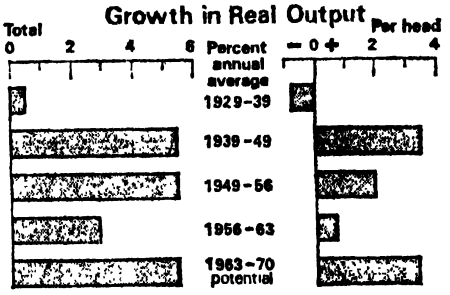
GROWTH OF LABOUR FORCE
(thousands a year)

	1950–55	1955–60	1960–65	1965–70
Net Immigration	60	55	10	30
Domestic supply	30	105	125	175
Total labour force growth	90	160	135	205

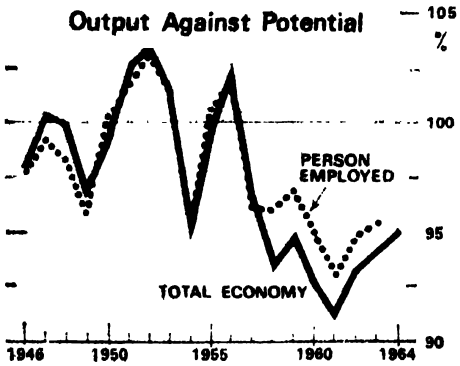
Taking 3 per cent unemployment as a realistic objective for the remainder of the sixties (well below recent rates) a 97 per cent employment rate would imply the addition of 1½ million new jobs between 1963 (6,363,000) and 1970 (7,883,000). Employment has to grow by 3.1 per cent yearly, twice the rate from 1956 to 1963.

Next, productivity, with all its bristling difficulties. Between 1956-63, 1 per cent a year was achieved against a potential of 1.9 per cent. But the earlier postwar years produced much better results, and the council thinks that 3 per cent more output per man hour and 2.4 per cent more output per employee over the period of 1963-70 should be attainable.

On these assumptions of employment and productivity the attainable increase in output would average 5½ per cent a year—this has been achieved in the past and this time the prospective growth of the labour force is higher than ever before:



"It is widely believed that Canada has had an exceptionally rapid expansion in the volume of output beginning in 1961. Yet expansion is closing the gap between actual and potential output only gradually":



If these potentials are realised the growth of resources and the pattern of their use could look like this:

The report gives a consistent, though necessarily speculative, outline of the components of demand that could conduce to this rate of growth. In terms of international payments, the outturn might be a current account deficit of $1½-2 million by 1970, a prospect that satisfies the Council no more than it does the governor of the Bank of Canada. But it also notes that "deliberate policies calculated to create a more insulated and isolated economy will not, and cannot, point the way towards an alternative route to high economic performance in Canada." So much for Covne; so much for a good part of the Gordon philosophy.

There need be no inhibitions about financing expansion. Money supply should be easy (consistently with the close monetary relations that Canada must preserve with the United States), and achieving potential output would produce a fiscal surplus of $2 billion by 1970, including $800 million of accumulated pension funds. The gross national saving rate might indeed run as high as 23 per cent by 1970. On these assumptions, a 2 per cent annual rise in prices ought to be comfortably possible.

AVAILABILITY AND USE OF RESOURCES 1963 ACTUAL AND 1970 POTENTIAL

	1963	1970	Annual change %
	(Billions of 1963 dollars)		Annual
Resources available			
Gross national product ..	43·0	62·5	5·5
Net imports of goods and services	0·5	1·6	
	43 5	64·1	5·7
Use of Resources.			
Consumer spending	27 2		5·1
Government expenditure on goods and services .	8·1		5·0
Gross private fixed investment	7·5	13·9	9·2
Housing	*1·7*	*2·6*	*6·3*
Gross business fixed in	*5·8*	*11 3*	*10·0*
	43 5*		5 7

* Includes change in inventories and residual error.

Farming, forestry, fishing and mining are becoming more capital intensive, more efficient, and valuable contributors to export earnings, but their use of labour will continue to decline. The new jobs have to be found in secondary (and increasingly science-based) industry and the service trades. So the main implications for policy are better education and training, more mobility of resources (including a positive role for the National Employment Service), more specialised and better organised production, quicker technological advance, more fixed investment and greater initiative and enterprise.

HIGH, HIGH, HIGH

"The potential Canadian economy we visualise for 1970 is a high-standard-of-living and high-employment economy, and it must therefore be a high-education economy, a high-resource-mobility economy, a high-research economy, a high-investment economy, a high-innovation economy, and a highly competitive economy."

The Crisis of Cultures

In May last year Mr Lester Pearson wrote to all the provincial premiers seeking their co-operation in a Royal Commission to enquire into the problems posed, and the opportunities offered, by the duality of language and culture established by the Canadian confederation. Most replies were approving, but with notable differences of emphasis. From Ontario, Mr John Robarts reacted "with a good heart" to the all-Canadian outlook which he found implicit in the commission's terms of reference. From Alberta, Mr Manning, without opposing the study, raised serious doubts about its advisability and value. From Manitoba, Mr Duff Roblin raised the wider issues beyond cultural relations and suggested that co-operative federalism should be sought in direct federal-provincial discussions. Mr Bennett in British Columbia did not reply.

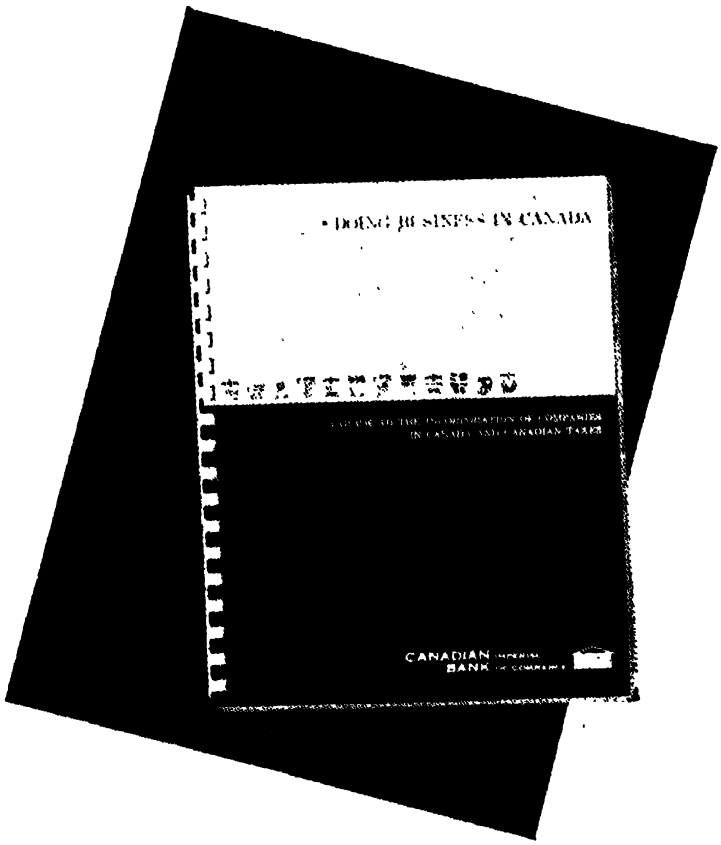
To the prairie and western provinces, French language and culture are more usually regarded as nuisances to be ignored, rather than elements in a Canadianism for which they feel sympathy, much less responsibility. "Let Quebec separate if she wants to. We shall be better off without her." That is still a widespread view west of Port Arthur. The preliminary report of the Royal Commission shows a limited reaction among Canadians generally to Quebec's awakening. It is convinced, indeed, that Canada is in the most critical period of its history since Confederation:

> We believe that there is a crisis, in the sense that Canada has come to a time when decisions must be taken and developments must occur leading either to its break-up, or to a new set of conditions for its future existence. . . . The signs of danger are many and serious.

One significant part of the Canadian people is strongly dissatisfied because its French language and ways prejudice its economic, political and social aspirations. The other part, much larger in number and occupying the heights of Canada's economic power, remains largely indifferent, if not completely ignorant. In 1837-38 Lord Durham found two nations warring in the bosom of a single state. There is no war today, though in the western provinces occasional violence and bombs in Quebec are exaggerated into something like war. But there is a deep gulf, and a century and a quarter after Durham had thought that Canada would choose to be English, and that the French would become assimilated, Canada's duality presents a far stronger challenge.

Problems of duality will never be solved by invoking some notion of "a law of the majority." If such a law were a fact of Canadian life, it would follow that it was also a fact of Quebec life, where three out of four know no word of English. When English-speaking Canadians talk of "the nation" they tend to mean all people who live in Canada. But many French-speaking Canadians think of themselves as forming a national group, even *une nation*, and this view heightens the resentment of many English-speaking

This book gives you basic facts on how to do business in Canada



If you do business in Canada, or are considering expansion into our country, you will find a useful guide in our authoritative book "Doing Business in Canada," designed for executives the world over. Just send us a letterhead request for your free copy.

CANADIAN IMPERIAL BANK OF COMMERCE

(Incorporated in Canada with Limited Liability)

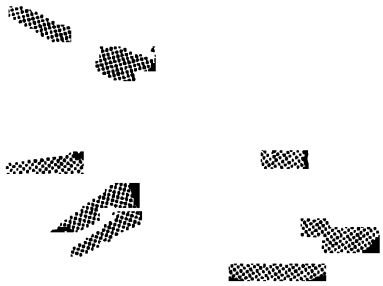
Over 1300 branches cover Canada

Head Office: Toronto 1, Canada

LONDON BRANCHES
2 Lombard Street, London, E.C.3
48 Berkeley Square, London, W.1

EUROPEAN REPRESENTATIVE
Hochhaus zur Palme,
Bleicherweg 33, Zurich 2, Switzerland

CANADIAN ATLANTIC



strategic bridgehead for transatlantic EXPANSION

What does every expansionist industry need today? Manpower; coal, oil or electric power; a massive market close enough to make economic sense.

The Canadian Atlantic Provinces has them all. Uniquely placed for both raw materials supply and market development, the Canadian Atlantic Provinces are fast becoming an optimum base for new, growth-seeking industries. Investment capital is moving in, both primary and secondary industries are benefiting from generous, readily-available financial aid.

Here are vast resources—actual and potential—here is an area both equable in climate and in labour temperament. We'll be happy to tell you more.

FOR FULL INFORMATION WRITE TO:

THE CANADIAN ATLANTIC PROVINCES OFFICE

AGENT-GENERAL: H. WATSON JAMER

60 Trafalgar Square, London, W.C.2 WHitehall 8717

McINTYRE

McIntyre...an active participant in mining, mining exploration and investments for over fifty years.

Directors / J. D. Barrington, Toronto
M. A. Cooper, Toronto
Norman D'Arcy, London
W. B. Dix, Toronto
J. C. Fraser, Toronto
J. Grant Glassco, Toronto
Jocelyn Hambro, London
J. S. D. Tory, Toronto
S. M. Wedd, Toronto

Officers / J. S. D. Tory, Chairman of the Board
J. D. Barrington, President and Managing Director
W. B. Dix, Vice-President and Treasurer
M. L. Urquhart, Vice-President, Operations
F. T. McKinney, Secretary

Mine Offices / Schumacher and O'Brien, Ontario/Belleterre, Quebec

Executive Offices / Suite 1500, 25 King Street West, Toronto, Ontario

McINTYRE
PORCUPINE MINES LIMITED

Canadians who fear that French aspirations may lead to a movement capable of splitting the country.

And that has become the question—on what terms can the Canadian will to live together project itself into a new century but under today's different conditions? No longer is Quebec to be regarded as a crushed ethnic minority, withdrawn from the contamination of "Anglo-Saxon" economics and concentrating on its own inbred social and cultural preservation. It is confused, ambitious, even raucous. Many Québecois set *la nation* above any other principle but few of them spell out with precision what they mean.

They mean, in part, more equal opportunity in an expanding Canada. They mean an end to a long period of economic backwardness and peonage. Do they also mean breaking out of a French inclusive society? One can see that economic advance in Quebec has considerably tempered the more extreme cries for separatism that were clamant only a few years ago. The Royal Commission notes that the climate of opinion in the province of Quebec seems to change rapidly. While the wilder young like Pierre Maheu throw a political chest under the banner of *Québec, notre seule patrie*, the average French-Canadian seems more concerned about his self-interest than in revolutionary separatist movements. Among the more responsible there is more emphasis on evolution than on revolution today Mr Lesage is openly fearful of the reactions to the noise of young Québecois in the markets where he has to borrow money. Quebec's self-expression is becoming more pragmatic and less doctrinaire. Whatever happens, one provincial minister has observed, there must be no prejudice to Quebec's standard of living, and no jeopardising of French-Canadian culture. But within these guidelines it is surely possible to think of a continued Canadian unity.

The task cannot be a defensive one of preventing Quebec from separating. "Treat them as a nation and they will act as a free people generally do—generously. Call them a faction and they became factious." So wrote Sir John MacDonald 110 years ago. But it will still need years of patience to find a final accommodation between a Quebec that has come to think of itself as an autonomous society and extreme English-speaking views that these relations were settled on the Plains of Abraham 206 years ago.

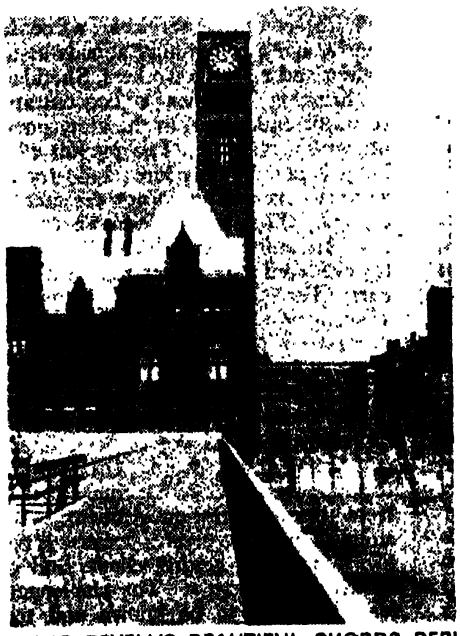
"What does Quebec want? . . . Don't push us too far . . . Quebec's peasant-like culture amuses rather than educates . . . Quebec will have to adapt itself to industrial and educational advance. . . . Why should we be blamed for their self-imposed backwardness? . . ." These reactions that the Royal Commission met in their regional conferencing across Canada have to be overcome before the problems of dualism are solved, and until they are Canada's capacity for economic and social advance will be inhibited. The first task is to make bilingualism a reality for all who want to take advantage of it, by providing French as a matter of right in the schools, just as Quebec, to its great credit, provides for its English speaking minority.

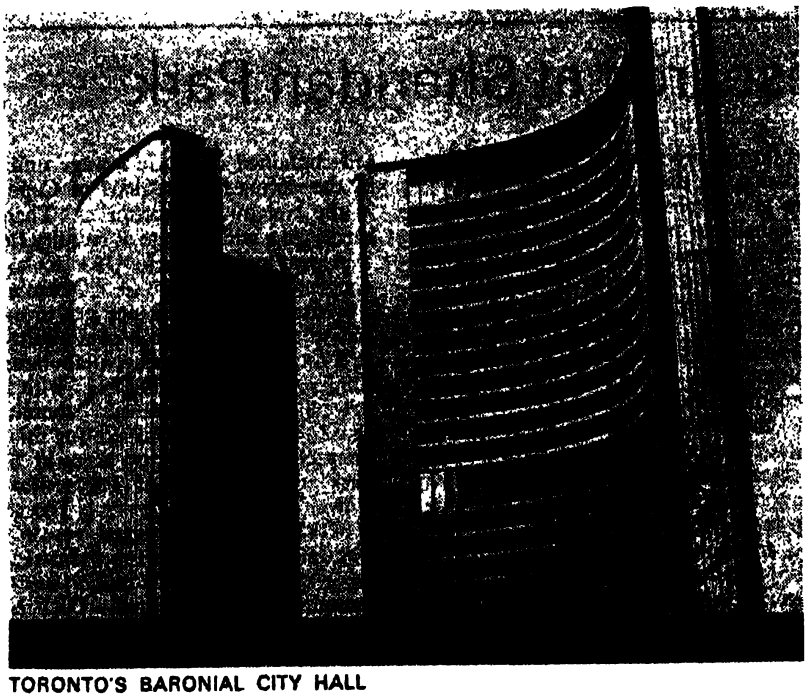
Younger English-speaking Canadians, nowadays less conscious of British ties and reserved about closer links with the United States, have a clearer idea of the French fact—of its risks, and its promise, for Canada's future. They see clearly that the French *différence* makes it more difficult to earn a good living and enjoy a full life. It may still be, as the Royal Commission rather gloomily concedes, that a major operation will be unavoidable; perhaps the will of the people to go on may begin to fail. At the two extremes, gloom is in order: those English-speaking Canadians (of various origins) who reject any idea of equality, and those French-speaking Canadians who have no use for any partnership. (It is also well to remember that 30 per cent of Canada's population stems from neither ethnic founder.)

The majority of English-speaking Canadians are proud of their predominant role in building modern Canada and their impatience at being diverted from this task to make room for French-Canada to catch up is understandable. Yet even in Montreal, whose major economic achievement has been the work of an English-speaking minority, attitudes are rapidly changing. Earnest English-speaking bankers are learning French. The superiority (not to say arrogance) of Westmount counts for less than it did. The city's business life is less dominated by an English-Canadian economic élite. If one wanted to epitomise the growing confidence and industrial ability of French-speaking Quebec, this comment about two power plants could hardly be bettered:

> On a bâti Shipshaw en anglais, mais l'Hydro vient de bâtir le Manicouagan en français.

There are perils. There are also great possibilities. Attitudes that have been brought out into the open have often sounded alarming. But there is also a great gain in serious reflection, and it is spreading along Canada's four-thousand-mile main street.





VILJO REVELL'S BEAUTIFUL CHORDS REPLACE TORONTO'S BARONIAL CITY HALL

Canada's Oil and Gas

One of Calgary's new hotels features a montage of gas flares at the entrance. It is eloquent of Alberta's biggest resource.

ALBERTA is Canada's biggest producer of oil and gas and has been in the business longer than any other province. It bursts with expansion still, but nowadays as an institutionalised industrial and governmental partnership. A decade or so back, Calgary indeed had the atmosphere of a stampede town where it would not have been utterly surprising to see a gambler in oil stocks hitching his horse outside a broker's office. There is little of this speculative fever today. (Another sign of the times: protests from residents against moving the stampede ground to a new site in their neighbourhood, on fears that their real estate values would fall.)

Oil and gas are big, integrated, rationally financed and, in their own terms, satisfactorily profitable, but not utterly free of worries despite their success story. Since the Leduc field was discovered in 1947, this twin industry has spent some $8,346 million in Western Canada on exploration, development and production—$866 million of it last year. But the industry has been in the black for only the last three of these eighteen years; even in 1964 the surplus was not all that big, for the value of oil and gas production was around $890 million. And a further investment of well over $4 billion in refineries, chemical plants, distribution and transport (including pipelines) has to be serviced and amortised. On production account alone, the business has to make up a deficit of $1,800 million before it gets all its money back—some chunks of this never will be recovered, even though scores of operators already have, or can bank on getting, a most satisfactory return.

An industry that was born of lucky strikes and was at low ebb twenty years ago has since become systematised; exploration follows almost predictable lines and the coloured pins on oilmen's maps make consistent patterns even to the lay eye. It is no longer a matter of discovering individual new fields (though these can be important, as the Judy Creek discovery, with its potential billion barrels has shown). What is coming into view is a region stretching 400 miles from the town of Peace River to Cold Lake, in which there may be 300 billion barrels of reserves, equal to the known reserves of the western world and about fifty times the reserves that Canada now claims. (Note to oilmen: there is no need to worry yet, since this is awkward stuff at about 9 degrees API and can only be shifted with superheated steam—a kind of mining, rather than normal well production. But there is no doubt that this can be done, if the oil is needed one day.)

A start is now being made, indeed, on the large-scale exploitation of the Athabasca tar sands—a biggish operation, certainly, but picayune against the estimates of potential reserves. Getting to grips with them has been an Albertan dream for decades. Great Canadian Oil Sands two months ago offered $12½ million 6 per cent convertible debentures to Albertans who took them eagerly as a good long-range gamble. Great Canadian will be spending $210 million on a project to mine the sands with two excavators capable of digging 200,000 tons a day, to extract 60,000 barrels of bitumen a day, and produce 45,000 barrels a day of synthetic crude. Sun Oil will take three-quarters and Shell Canada one quarter of the output, and Sun Oil is committed to find $67½ million for the venture, the rest coming from the banks.

With Canada's crude oil production running at over 750,000 barrels a day, Great Canadian in production will represent a size-

Research at Sheridan Park

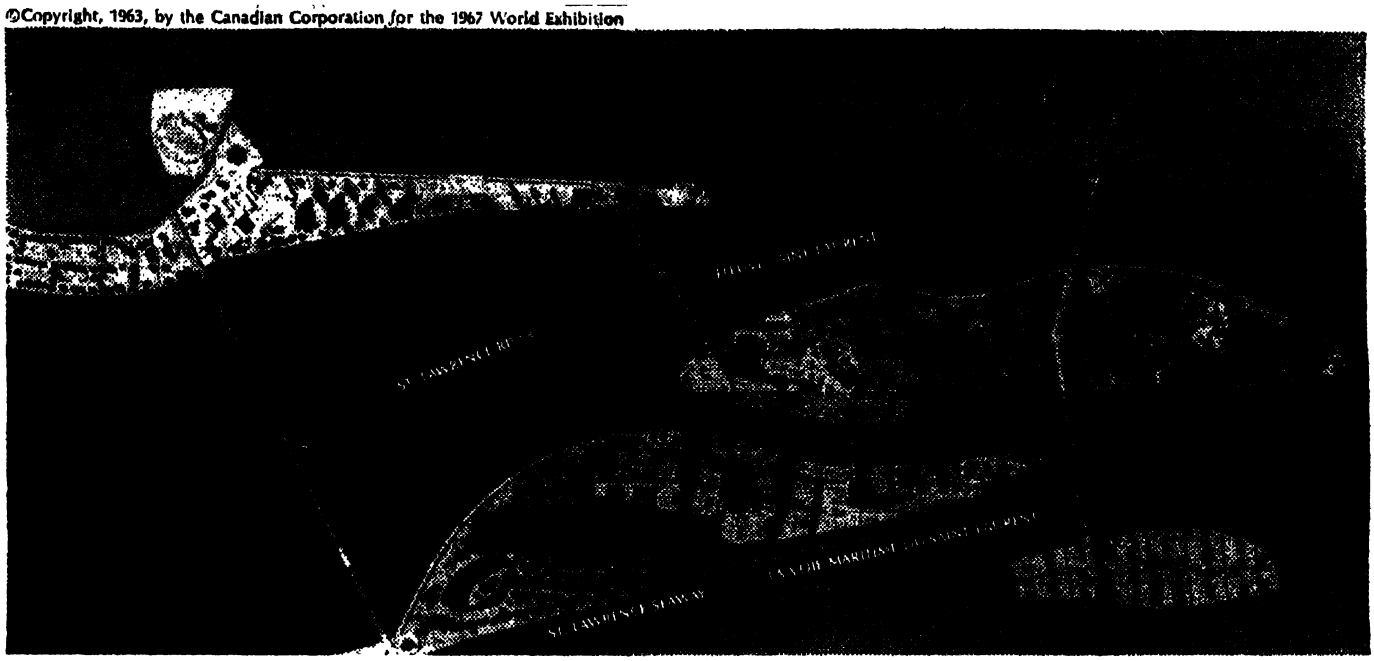
ONTARIO is proud of its Research Foundation. It dates from 1938, when the Ontario government and industrial groups joined equally to provide a research service particularly aimed at industries that could not afford their own research organisation. ORF gets 60 per cent of its income from selling research to industry and other clients, another 25 per cent from the Ontario government and the small balance from endowment. Government assisted and supported, the foundation is anything but government-dependent. It is always looking for business, which it handles as a competent and ethical research body should, consulting regularly with clients as the jobs proceed and never tackling the same problem for two clients. Among its recent development jobs are a highly sophisticated scanning instrument for computing temperature and pressure problems in re-entry rockets and, scarcely less sophisticated, a self-contained domestic sewage unit for use in the perma-frost regions of Cape Dorset in the Northwest Territories. There could hardly be a wider range of enquiry than this.

A year or two back, ORF looked at its congested quarters in Queen's Park, Toronto, and decided, not just to move out but to set up a research community, acting as a focus with its research laboratories and library, and surrounding itself with as many private industrial research laboratories as cared to come in. The site for this unique research complex is 300 acres at Sheridan Park, 17 miles west of Toronto along the Queen Elizabeth Highway. The directors of ORF quickly attracted research units from nine of Canada's top industrial brass: these are spending $19 million and ORF is committed for $6 million. ORF hopes to be installed by the end of next year and expects the community to fill out during the next few years.

With common services, a conference centre, and a community already assured of a thousand research workers, Sheridan Park is bringing together a concentration of scientific endeavour, in the atmosphere of a university campus. The pursuit of knowledge is not the only lure: industry can get generous tax rebates on new research expenditures. The site is administered by a joint committee, in which ORF is careful to take a guiding rather than a controlling part. Each industry research unit can be as security-minded as it wishes, and yet be just as free to use ORF's library and computer or cross-fertilise its ideas with other research teams.

For a non-profit making research organisation with an income of $2 million, this is a remarkable venture. ORF appreciates the support and encouragement that it gets from the Ontario government. But its strength is all the greater because it behaves like a business, getting clients and capital funds independently. The challenge of its ideas deserves to be known and tried in other countries.

©Copyright, 1963, by the Canadian Corporation for the 1967 World Exhibition



The St Lawrence River site of Expo 67, an imaginative setting for an extraordinary world spectacle.

Strangely enough, there has never been a world exhibition of the first category, anywhere in the Americas.

But it's coming.

WHAT makes a world exhibition? All the people of the world, gathered together to celebrate the achievements of man.

At strictly governed intervals, the International Bureau of Exhibitions authorizes a world exhibition of the First Category. That is, a major exhibition supported by governments of nations big and small, enriched by the genius of men from every corner of the earth.

In 1967, such an exhibition will be held for the first time in North America. It will be produced by the Canadian Corporation for the 1967 World Exhibition, which has been established by an Act of the Canadian Parliament. Expo 67 will open on April 28th of that year and run until October 27, 1967.

The theme of Expo 67 will be "Man and his World". The setting, a group of islands, largely man-made, in the St. Lawrence River, a few minutes away from the downtown towers of the new Montreal.

On this 1,000-acre site, 3½ miles from end to end, an extraordinary world city will rise. A wonderland of exhibits of science, exploration, the arts and industry. A kaleidoscope of the progress of man, his aspirations and his future.

Here are some of the plans for expo67 the 1967 World Exhibition at Montreal, Canada

FOUR GROUPS OF THEME BUILDINGS will be at the heart of Expo 67; unfolding achievements of Man the Explorer, Man the Producer, Man the Creator, Man and the Community.

THE PAVILIONS OF THE NATIONS will represent more than 50 countries, including the U.S.A., the U.S.S.R., Britain, France and Germany.

THE CANADA PAVILION will show the sweep and diversity of this great land, a fitting Centennial celebration.

A BUSINESS DEVELOPMENT BUREAU will introduce exporters, importers, manufacturers, financiers, government officials; provide interchange of ideas and information.

NEW THEATRES will present the world's leading dramatic companies, 88 performances of Grand Opera, 35 symphony concerts, international ballet and ethnic dance groups, film festivals and variety shows.

THE AMUSEMENT AREA will be devoted to day and night merrymaking for all ages.

A 25,000-SEAT STADIUM will be the setting for spectaculars such as a giant military Tattoo, the famous Mounties' Musical Ride, a glittering Gendarmerie Française display.

SPORTS EVENTS will include international track and field, tournaments and aquatic presentations.

PLANS for these and many, many more projects will make Expo 67 one of the great spectacles of our time.

We'd like to give you more information on any particular aspect of Expo 67 that interests you. It will be a pleasure to hear from you.

CANADIAN CORPORATION FOR THE 1967 WORLD EXHIBITION

1 Place Ville-Marie, Montreal P.Q., Canada Telephone EXposition 196".

expo67

To serve true interests

"In serving Quebec's true interests, you shall serve Canada's just as Canada's interests shall serve those of the whole world".

Queen Elizabeth II to the Quebec Parliament — October 1964.

These twenty words, notable for the breadth of vision with which they regard the challenges of the twentieth century, sum up the aims, aspirations, and achievements of Hydro-Quebec, vast power complex for the Province of Quebec.

Top ranked in power production per capita, with an installed capacity of 13 million horsepower and a potential of 34 million horsepower, 40% of Canada's total, Quebec is indeed a twentieth century nation. Responsible for supply of this power to the homes, businesses and industries of some five and a half million Quebecers, Hydro-Quebec employs 17,000 people and administers well over two billion dollars in assets producing revenues now past the $250 million dollar mark.

In the interests of industry and home, Hydro-Quebec last year supplied some 35 billion kilowatthours to its customers. It owns 68 generating stations, of which 16 power producing units are rated at 100,000 kilowatts each or more, including the world famous Beauharnois behemoth (1,574,000 kilowatts), and the 1,567,000 kilowatt Bersimis plants deep in the heart of the Quebec highlands.

In recent years, Hydro-Quebec itself has become the symbol of growth in the province of Quebec, an electrical beacon, for the hopes and plans of rising vigorous Canadians. That this should be so is not surprising. Hydro-Quebec scientists, engineers, and executives are now involved in a gigantic one and a half billion dollar expansion program to build the Manicouagan-Aux Outardes power complex. Within that complex is the world's largest multi-arched dam, and the world's largest hollow-joint dam. To carry the additional five million kilowatts to be generated in the area into industrial and domestic sections of Quebec, Hydro-Quebec now builds three new 735,000 volt transmission lines the highest voltage at which alternating current has been transmitted on such a scale.

Hydro-Quebec's future is to provide adequate and ever improving service to progressive Quebecers. Its future too is the development of atomic power and the harnessing of additional sources of water power, mainly in the James Bay region of Northern Quebec. Research scientists, surveyors and hydro-electric engineers, all are actively engaged in such developments.

In serving Quebec's true interests Hydro-Quebec indirectly serves the interests of the whole world.

hydro-quebec

MONTREAL, QUEBEC, CANADA

able, rather than dramatic, increase in output. The Alberta government so intended—combining keenness to make a start with anxiety not to rock the oil market boat. Independent experts have no doubt that these techniques will work and make money (though they also point out that this is an area where one measures the frost by depth—eight feet of it, which can tear the teeth out of excavators). They also see a certain lack of competitive flexibility in this mining method, and get more excited by the technical possibilities, proposed by Shell and by Cities Service, for thrusting superheated steam into the sands *in situ* (much of the sands lie too deep for economic mining, anyway) and extracting the asphalte and bitumen without physically handling the host sand and clay. But these systems are thought to need outputs of 100,000 barrels a day to be economic, and are likely to cost a quarter a billion dollars. So the choice of Great Canadian argued itself.

Canada's consumption of petroleum now exceeds a million barrels a day and could comfortably reach 1½ million by 1973. But Canada's production has been rising at a faster rate than consumption, so that four-fifths of what the country uses now comes from domestic resources. (Ten years ago this "self-sufficiency" percentage was under 50, and back in the days of the Leduc discovery a mere 8 per cent). Two distinct threads in Canadian oil policy have emerged since Canada became a major producer. The first is the "Continental Concept," which is liberal in essence, puts the minimum importance on the 49th parallel and the maximum emphasis on relating as economically as possible the producing and consuming areas of the whole of North America. The principle caught hold, and out of it emerged the Interprovincial Pipeline linking western Canada to markets in the east, both Canadian and American, and also the Trans-Mountain system linking Alberta and northern British Columbia supplies to Vancouver and thence to the US Pacific northwest.

But the Suez disruptions, followed by the rapid recovery in Middle East production brought a strong reaction in the United States which Canada did not escape. Output was severely checked and actually dropped by 8 per cent in 1958, although less than two-thirds of Canada's consumption was met from domestic oil. So the cry went up for a nationalistic oil policy, to be free from foreign control, and accepting the extra cost of Canadian oil to consumers in the eastern provinces or of pressure on wellhead prices in the west. This policy threatened to put all the manifest gains to Canada of the continental concept into the hazard. The argument was heard by the Borden Commission in 1959, which came down on both sides of the fence. Nothing happened until Mr George Hees, Minister of Trade and Commerce in the Diefenbaker government, laid down a national oil policy in February, 1961, which set up "voluntary" targets—800,000 barrels a day by the end of 1963 (which was just about achieved) and stiffer bargaining over "tradeouts" with the Americans in return for free access of seaborne supplies into Canada east of the Ottawa Valley—that is, Quebec and the Maritimes.

This approach had a distinct touch of the strong arm, but it has worked, and no Canadian government would now dare to change it. Even the National Pipeline, looping north of the Great Lakes through the desolate muskeg of Northern Ontario, now looks a much better bet economically than when it was laid down, such has been the increase in consumption at every point along its unpromising route. But Western gas producers are still sensitive to the discounting back to wellhead of the extra costs of transmission to eastern markets and look naturally towards the south.

Oil and gas are well established and bound to grow. But in Northern California and in Ontario are signs already bigger than a man's hand that atomic power is about to burst through the competitive frontier. Pacific Gas and Electric are installing atomic plants that are competitive with $3 oil. Ontario Hydro are putting out tenders for an atomic power plant at Pickering, sixteen miles east of Toronto, initially of 1 million mW capacity and capable of extension to 3 million mW. If the technical risks that Ontario Hydro is undertaking with open eyes prove manageable, the cost of power should be down to 4 mills a unit, as low as the price of power from the best thermal plants. Already these atomic possibilities are casting a shadow over future development of hydro power—hence the impatience to get a start at Churchill Falls in Labrador. They could also have a bearing on the exploitation of the potentialities of the Nelson River in northern Manitoba, which would involve an enormous investment. There may be no immediate danger to oil and gas from atomic power, but it is in the rear lobes of oilmen's minds.

Manitoba in Midcontinent

WINNIPEG offers 111 frost-free days a year. In winter, Manitoba will average 30 degrees of frost in the south and 55 degrees in the north. Its early rural settlement produced a faster growth of population than for the nation as a whole—up to 1916. Thereafter, for nearly forty years, people left the province as fast as Manitobans were being born into it; the rural population is falling still as people increasingly concentrate in urban centres—of Manitoba's total population of rather under a million, nearly 600,000 are town-dwellers and four-fifths of these live in Winnipeg.

Manitoba has been looking for a new economic inspiration, conscious of having been left behind while its neighbours to west and east were striding forward. Its personal income a head is rather below, whereas twenty years ago it was rather above, the Canadian national average. It is not a stagnant area, for there have been major improvements in the patterns of agriculture and industry, but still not a notably progressive one. Geology makes Manitoba miss out on the richness of oil and potash to its west, pushes its biggest hydro power potential into the Hudson Bay, and locates its undoubted mineral riches four hundred miles or more north of its capital, in some of the most tiresome country that could be found.

Such conditions have never stopped miners, and the big successes of International Nickel's mine at Thompson (powered by a hydro plant that represents the first stage in taming the Nelson River), Hudson Bay Mining and Smelting's copper and zinc operations based on Flin Flon, and Sherritt Gordon Mines several hundred miles farther north at Lynn Lake, are all matters of pride for a province that has established large-scale operations in the north only within the last generation. But developments of this kind are not big users of labour, although they are great producers of wealth. And they do little to spread economic improvement generally through the province, even allowing for the industrial infrastructure that is needed to supply their hardware.

How, then, to make the most of Manitoba's resources, now that its central position has come to imply a certain remoteness from, rather than a tight linkage with, the rest of Canada? Some important answers are to be found in a volume weighing seven pounds produced in 1963 by the Committee on Manitoba's Economic Future. Its inquiries into the prospects and possibilities for growth up to 1975 cost $750,000, of which half was creditably put up by Manitoba business. Two hundred Manitobans in industry, labour unions, universities and a host of other occupations had their heads down for many months of 1962 and 1963 trying

to find a modern replacement for the 19th century idea that Manitoba could grow rich on wheat and on trading between east and west.

The COMEF report found that Manitoba would have to change from a predominantly extractive and service economy and tackle a new stage of economic growth based on manufacturing and processing raw materials, and serving a widening range of export markets. The resource industries are open for development, though bound to proceed in a deliberate way and not in any case labour intensive. So new manufacturing, better management and training, new ideas in design, and new solutions to problems in marketing, are needed. Backing COMEF's first elaborate, yet practical, blueprint for growth, Manitoba has set up bodies to work in all these fields, and has reorganised its department of industry and commerce. Opportunities for investment have been analysed, documented and thrust under entrepreneurial noses in such fields as iron and steel, metal and glass containers, vegetable oils, textiles, animal feed, starch and glucose. Possibilities ranging from agricultural machinery for New Zealand to baby chicks for Italy are being studied. All this is being conducted with the same close co-operation from business that worked out in a partnership for progress when COMEF's horizons for 1975 were being studied. The energy that is being applied to Manitoba's prospects, and in such depth, deserves to succeed ; it has made a good start.

Too Much from the Forests?

Forestry and its products, pulp and paper, are Canada's biggest industry, reckoned by employment, exports and investment. The forests have seemed as close to an inexhaustible resource as any that Canada has. But now?

NEWSPRINT, pulp, board and paper make Canada's big money. Newsprint provides half the industry's dollar sales, and market pulp (that is, pulp for free sale, not that used within a single group's operations for newsprint or other production) rather more than a quarter. For every ton of newsprint that the United States makes for its own use, Canada supplies another two. It was an industry that boomed beyond belief in the early postwar years, slowed down during the fifties, and in the early sixties showed every appearance of maturity. Output varied little on either side of 6¾ million tons, at an almost stable value of about $800 million. Pulp and paper production as a whole was reckoned to be worth rather more than twice this amount, and the industry was contributing something like 4 per cent to Canada's gross national product a year.

Until last year, it seemed fair to ask whether these industries had reached the peak of their expansion. American newspaper circulations had continued to decline and only an increase in their pages kept newsprint consumption a head more or less stable. And between the mid-fifties and 1963 the United States had itself met all the growth in its newsprint consumption by exploiting resinous southern pine, which grows three times as fast as softwood in eastern Canada. But last year American demand for newsprint jumped by 8 per cent, almost entirely filled by Canadian shipments, which, in turn, jumped from 5,180,000 tons to 5,630,000 tons. Has American publishing been revitalised? All the forecasts of American newsprint consumption, at any rate, suggest a much higher rate of growth than the dull trend line of recent years: 8.3 million tons this year and 9½-9¾ million tons by 1970 are representative projections.

This will be good for Canada—if it happens. And that will depend on a 3 per cent growth rate in the American economy as well as a quieter mood on the part of the International Typographers Union in the depths of Colorado, after their destructive striking of American (and lately Canadian) newspapers. It is also becoming clear that a bonny fight is developing in newsprint. In November last year, hostilities broke out in British Columbia between MacMillan, Bloedel and Powell River Ltd. and Crown Zellerbach Canada, resulting in a cut of $10 a ton. Official newsprint prices had not been changed since 1957, when they were increased from $US101 a ton to $US134 delivered, and an official reduction had not been heard of for 30 years. Whether it was related to the efforts of the *Los Angeles Times* (which holds the world record for sixty pages of classified advertisements a day) to set up a newsprint mill in British Columbia is not clear ; the paper was seeking a supply of pulp for this purpose and had been turned down by one contender before approaching the other.

So far, this price cutting has not affected newsprint producers in the east of Canada. British Columbia has been the faster grower in newsprint capacity in the last ten years, which is now 2½ times bigger than in 1956. By comparison, Quebec has increased its capacity by just over one-fifth, and Ontario and Manitoba together by two-fifths. But these three provinces still account for over 6 million tons of Canada's 8.6 million tons of newsprint capacity, with British Columbia still a long way behind with 1,355,000 tons.

But the cut has left a sense of unease. One or two British Columbian operators have backed down from expansion schemes that they had in mind—though there are still eight new pulp mills under construction in the province, and at least as many in preparation or contemplated. Mr Bennett has just come back from Tokyo with plans for a big joint venture on the Iskut River. This pulp explosion may, according to a forecast of B C Hydro, double the province's present pulp capacity in the next five years and triple it within ten years to 9 million tons ; in the same period, newsprint production may be doubled to 3 million tons. Such growth rates show that British Columbians are anything but chicken-hearted, but they presuppose enormous strides in consumption, and earlier booms have shown that these sometimes fail to materialise as quickly as capacity. Moreover, expansion on this scale will threaten a "mining out" of timber supplies unless a more positive (and expensive) programme of reafforestation is undertaken.

This is an industry, then, which is playing for big stakes in British Columbia. The decision of MacMillan, Bloedel to abandon its plans for a $150 million pulp and paper complex at Kitimat is itself significant. Mr J. V. Clyne, the chairman of the board, has explained that this was done because the British Columbia government could not assure the group of sufficient timber rights, and it will indeed still be undertaking a notable expansion at Powell River. But he also makes no bones about "longer-term difficulties and uncertainties." "There will," he says, "be substantial over capacity in world production of sulphate pulp for the market between 1968 and the early seventies, and we can only expect prices to be reduced. . . . Some of us, perhaps all of us, are going to be hurt." The contestants will need strong nerves and deep pockets.

Thinking of Trade with

CANADA?

If so, you will find our booklet 'YOUR GUIDE TO ESTABLISHING A BUSINESS IN CANADA' a useful publication.

Why not write for a copy to our Business Development Department at 47 Threadneedle Street, London, E.C.2.

BANK OF MONTREAL

CANADA'S FIRST BANK

Covers Canada Spans the World

950 Offices across Canada and Abroad

J. A. HOBSON
General Manager for Europe (Resident, London, England)

LONDON
Main Office: 47 Threadneedle Street, EC2
DONALD R. McCALLUM, Manager
West End Office: 9 Waterloo Place, Pall Mall, SW1
GORDON L. WILLIAMS Manager

PARIS
No. 10 Place Vendôme, Paris 1er, France
C. L. NOBLET, Asst. General Manager Europe
(Resident Paris)

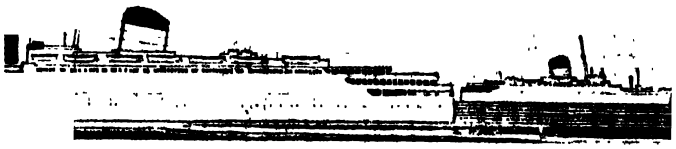
DÜSSELDORF
Königsallee 6, Dusseldorf, Federal Republic of Germany
R. J. R. BONNELAND European Representative

ASSETS EXCEED $4,000,000,000

Going to CANADA?

CUNARD

is the name to go by



REGULAR PASSENGER SERVICES

Rotterdam — Southampton — Havre — Cobh to Quebec and Montreal
Liverpool via Greenock, to Quebec and Montreal

'Caronia' and 'Franconia' the dual-purpose luxury Atlantic and cruising liners with superb lido decks and full air-conditioning maintain a regular service to Canada from Rotterdam and Southampton. The popular 'Carinthia' sails from Liverpool and has recently been given a new look in tourist accommodation.

REGULAR FREIGHT SERVICES

London—Havre—Montreal—Great Lakes
Liverpool—Montreal—Great Lakes
(also Bristol Channel)

Although the passenger liners carry cargo, Cunard also provide a specialist service with a fleet of fast modern freight liners. Your cargo is handled with care, loading and discharge are speedier than ever.

CUNARD

Full details of sailings from Cunard Line, Cunard Building, Liverpool 3 (MARitime 3000); 15 Lower Regent Street, London S.W.1 (WHitehall 7000); 88 Leadenhall Street, London E.C.3 (AVEnue 3010).

.....TO SERVE YOUR INTERNATIONAL INTERESTS THE BANK OF NOVA SCOTIA HAS OFFICES IN THE UNITED STATES..SOUTH AMERICA THE CARIBBEAN... THE FAR EAST... THE UNITED KINGDOM & CONTINENTAL EUROPE SPANS CANADA FROM COAST TO COAST

If you have international interests you'll find a welcome ally in Scotiabank — a truly *international* bank, geared to meet the needs of world-wide business. More often than not Scotiabank international offices can find things out faster than you can yourself — tell you about local business conditions, markets, and put you in touch with the right people . . . in fact, help make your business abroad easier and more profitable.

If you are interested in international markets get in touch with the Scotiabank offices in London or Glasgow.

Scotia BANK

THE BANK OF NOVA SCOTIA

Incorporated in Canada with Limited Liability

LONDON: 24-26 Walbrook, EC4 · Mr J. D. Hubbert – Assistant General Manager · 11 Waterloo Place, S.W.1 · Mr. J. D. Evans – Manager · 10 Berkeley Square, W.1 · Mr. H. Freestone – Manager. GLASGOW: 52 West Nile Street, C.1 · Mr. J. W. MacLellan – Manager.

Agency in New York. International Offices in Amsterdam, Buenos Aires, Chicago, Houston, Los Angeles, Munich, Tokyo.

More than 700 branches across Canada and in Antigua, Bahamas, Barbados, Dominican Republic, Grenada, Jamaica, Puerto Rico, St. Lucia, Trinidad, Virgin Islands (U.S.)

You can find out all about Canada by sending a top executive to look the country over.

Or you can simply write to this London address.

TORONTO-DOMINION BANK

62 CORNHILL, LONDON, E.C.3

This is the main London branch of The Toronto-Dominion Bank. The best place there is to find out how to do business in Canada.

If you're interested in doing business in Canada, call the Business Development Representative at The Toronto-Dominion Bank, 62 Cornhill, London EC3.

Or walk through our doorway any time.

TORONTO-DOMINION BANK

Over 650 branches across Canada

INCORPORATED IN CANADA WITH LIMITED LIABILITY

Get on with Exports

What can be done to put trade with Canada in better balance?

IN the Anglo-Canadian trade equation, it is Canadian exporters who have become the aggressors. And not by any means solely in resource items, primary foods and raw materials. Today, every province is a vigorous seller and a wide range of Canadian manufactures has been doing conspicuously well in the British market. Some part of this success stems from lower export prices after devaluation; the Canadian dollar at three to the pound has made a difference. But another part stems from significant improvements in the efficiency of Canada's secondary industries and in their arts of selling. In Canada's boom last year, exports increased by 16 per cent. But imports increased by over 14 per cent, presenting one of the best marketing opportunities in the world.

There was at least a sizeable response from British exporters, after the dreary performance of 1963, for sales increased by 11 per cent. But whereas in 1963 the United Kingdom furnished just over 8 per cent of Canada's average monthly imports ($43.9 million out of $546.6 million from all countries), last year the share was down to 7.7 per cent (monthly imports from Britain averaging $47.9 million of a $624.4 million total). The difficulties for British trade to Canada have been as familiar as the excuses. British exporters had a taste of what import surcharges mean for trade when the Canadian government imposed them in 1962, and they seem to have forgotten that they came off in six months, unlike ours. And they have long complained about the prejudice that Canada's anti-dumping policy has meant for British exports.

Even so, Canadians ask, how is it that other countries do better than Britain without the advantage of trade preferences that Britain enjoys? It has always been a fair question, and it has now become a crucial one, since Canada has lately done its best to meet British complaints about customs valuations. No doubt a radical change in Canadian customs law, with an injury criterion on American lines, would have suited the British export book much better, but what has been promised by the Canadian authorities is still important. The present Canadian administration has shown every sign of willingness to do its best for Britain. But this mood might not necessarily be permanent, and a sluggish response by British exporters to the more liberal procedures to which Canada is now committed could invite trouble in future.

It looks as if the new policy will be favourably applied in the "levels of trade" argument (this has been held to prejudice British exports and to favour American exports to Canada) and will accept selling commissions based on foreign sales and not home sales. It is hoped that lengthy and detailed case proving will not be required but that cases will be dealt with on a reasonable *prima facie* basis. If the ground rules for Canadian customs procedures are measurably improved in these directions, it will be up to British industry to lose no time in trying its luck against American competition.

Anti-dumping rules, certainly, have not been the only inhibiting factor affecting British trade opportunities in Canada. They never worried the machine tool industry, which in many ranges could sell at half the price that American manufacturers were charging. Yet they have been getting only 10 per cent of the market, which may reflect in some part the power of American managements of Canadian plants to govern their choice. That is a fact of the north American economy. So is the practice of applying to public sector orders an administrative 10 to 15 per cent preference in favour of the local manufacturer—everybody does this around the world, notwithstanding the commandments of Gatt.

But it will not be reasonable to yell "Unfair to Britain" at every failure in the Canadian market, now that it is being made as fair as any. Machine tools are one of the items which appear in the Board of Trade's programme for drumming up more exports to Canada. Much effort is being put into this operation, under its code name CANEXTOUR. Six leading British trade commissioners in Canada will be here in October to urge on British exporters the lively opportunities that they see in a range of products of which Canadian imports are large and the British share unduly small. The Board of Trade Export Services Branch issued last month a detailed assessment of these opportunities which ought to be required reading for British exporters. Sir Ralph Perring, vice-chairman of the Committee for Exports to Canada, has been making an extended tour of the country to see what went wrong and how matters can be put right. The old complaints of delayed deliveries, cumbrous communications, inability to realise the vastness of the market and failure to supply it efficiently through the winter, have been firmly fixed in his mind. So is the point that Canadian taste, though powerfully swayed by American standards and American advertising, is the taste that has to be served; "Made in Britain" does not sell goods that are aimed at Britain.

Trade with Canada is not a cheap, or a risk-free, operation. Some better effort has to be made to hold bigger stocks, give more efficient service and offer more attractive display (there are two centres, in Toronto and Montreal, where display room can now be had free of charge). It is distressing to hear of dismal experiences of Canadians frustrated in their efforts to buy British goods. Here are three personal shames for this reporter. (1) A friend wants to buy a well-known British car to be delivered for his visit and to be taken back by ship. He is told by the agent (evidently a remarkably bad one) that the makers have installed a computer "which has meant an eight-week delay in filling orders," and that British export formalities are so formidable that he advises buying American. This is rubbish, but it does nothing for British exports. (2) An agent, not of British origin but working hard for a British group, complains that the British are inveterate letter writers but reluctant users of the telephone. His efforts to get hold of the managing director when at lunch did no credit either to the firm or to the British telephone service. (3) Overheard in an hotel corridor, caustic comments on the quality of British representatives attending a nation-wide convention of an important industry which ought to be an important supplier to English-speaking Canada.

There are plenty of other examples. They are recorded here not for knocking, but to emphasise that if British exporting fails in this complicated but basically friendly market, it does not deserve to succeed anywhere.

BRITISH COLUMBIA'S NEW MOUNTAIN-TOP UNIVERSITY

A Business of Greenhorns

On April 28, 1967, the world will know whether the Montreal Expo is a work of creative imagination or an overblown exercise following the New York World Fair too close for comfort. At headquarters they are quick to distinguish the two

THE Canadian Universal and International Exhibition of 1967 is bound by the rules of the convention governing international exhibitions. This, among other things, limits Expo's life to six months and its purposes to edification and entertainment, rather than promotion of trade products. High up at Place Ville Marie there is equally lofty talk about the theme of Man and His World and how it is to be spelt out in evocative expressions of creation and human fulfilment. But not all the talk is on this high frequency. Much of it descends to the uncommon business of building and running Expo—" a business of greenhorns," since these affairs come to a country only once in a lifetime ; the Expo board at Montreal starts from scratch, just like any other.

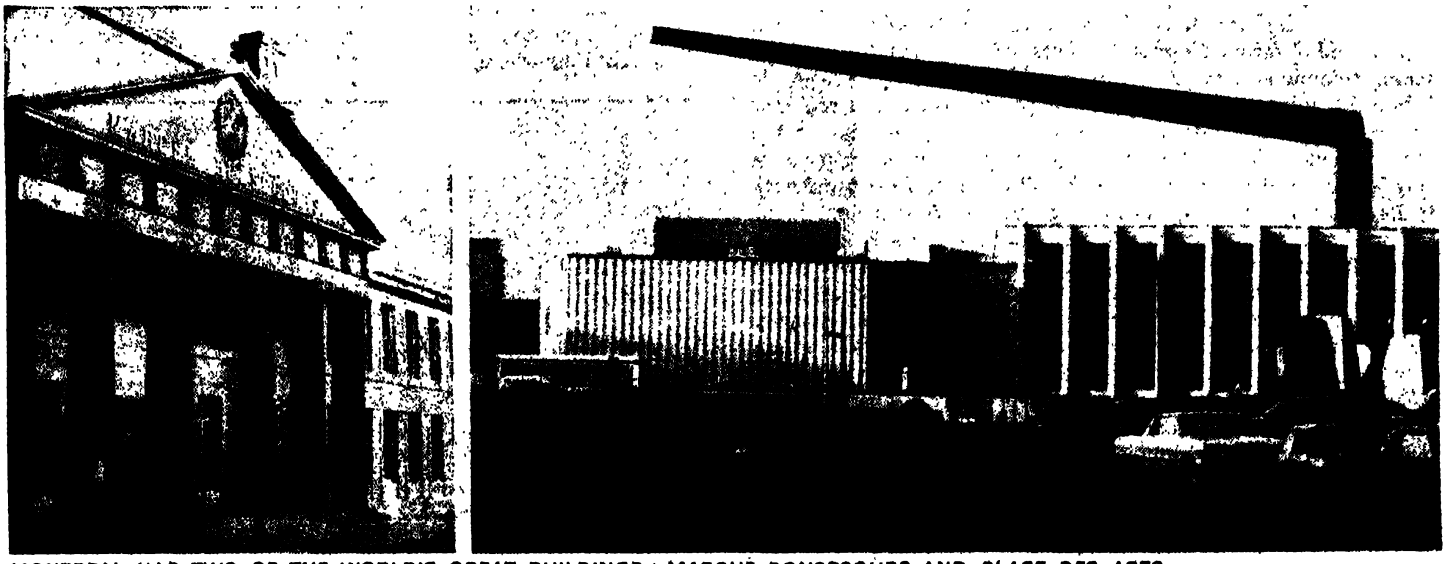
There is also plenty of public relations enthusiasm—eager demonstrations that everything is going well, that there are few snags and that the affair will be marvellously successful. So, no doubt, it will. The president, ambassador, and commissioner general, Mr Pierre Dupuy, notes that out of 125 official invitations sent out by the government of Canada, 54 acceptances have been received from countries intending to participate. This is twenty-one up on the Brussels Expo which had only 33 acceptances two years before opening and finished with 43.

The one dry, complete fact about the Expo site has always been the park on St. Helen's Island, over which the Jacques Cartier bridge strides. Until recently much of the rest was a wet artefact of land filled into shallow water, together with a nearly completed bridge and a subway being driven from the city under the St. Lawrence to the Expo grounds. Montreal provided the site and turned it over to the corporation a year ago. On these man-made islands, Expo has been installing sewers and power ; now the job is to tailor grade the rough site to take the first buildings. Expo has found other jobs to do for itself—it is having to spend $9 million on transport around the showground which it expected to be able to let out as a concession. There has also been some reluctance among business firms to commit themselves as exhibitors ; in particular US parent companies (some of whom had their fill at the New York Fair) of Canadian subsidiaries are being pressured by the Canadian government to come in.

AT this stage, a marked reluctance to talk hard figures is perhaps understandable. At the end of 1963, the corporation guessed that it would spend $167 million and get back $120 million (Ottawa finds half the deficit, Quebec 37½ per cent and Montreal 12½ per cent). Now the spending goal must be well over $200 million (this apart from at least as much that exhibitors will be spending on their pavilions) but the commitment is, in reality, open ended. Will this biggest-ever exhibition site fill its thousand acres and its 70,000 square feet of floor space? Will the idea of focusing the visitor's interest on a number of zones look as logical to him as it now seems on the corporation's plans? Or will he find it all confusing and dismayingly grand and sail off in the nearest sampan to *Joie de Vivre* (Expo's label for its fun fair)?

For all the attention to mankind, there is also a fairly concentrated business purpose in the affair. Visiting businessmen will get a computerised appointments service so that they can fill out the role of Man the Producer in the minimum of time. Montreal by then will have another big hotel (CPR in competition with CNR) and a big trade convention building. In addition to what Expo is arranging for the performing arts (which threatens to put most arts festivals well in the shade) there will be Montreal's *Place des Arts* with its beautiful auditorium.

Montreal gets close to deadlock at every rush hour, and Expo, for all the expensive improvements that are being made in city transport, threatens to immobilise it completely. It is getting perhaps more than a fair share of panning from critics who are scared about its cost and about the congestion on the building sites when construction starts in September. That will leave twenty hectic months and the tension of a big job only beginning is tangible enough at the corporation's offices. Not that they are worried: everything will be all right on the night. Let us hope so, give or take a night or two.



MONTREAL HAS TWO OF THE WORLD'S GREAT BUILDINGS: *MARCHE BONSECOURS* AND *PLACE DES ARTS*

considering Canada?

for new market expansion

Consult us at the embryo stage. The services of over 1000 Royal Bank branches throughout Canada are available for practical assistance in developing business and trade contacts in this important and fast-growing market area. Ask either of our two London offices for detailed information.

THE ROYAL BANK OF CANADA

Incorporated in Canada in 1869 with limited liability

HEAD OFFICE: MONTREAL · ASSETS OVER $6,000,000,000

LONDON BRANCHES: MAIN BRANCH 6 Lothbury EC2 · MONarch 6633
WEST END 2 Cockspur Street SW1 · WHItehall 7921

DOMTAR

A GIANT IN CANADA—NOW GROWING FAST IN THE U.K.

DOMTAR—Dominion Tar & Chemical Company, Limited—today comprises nine major Divisions, and is amongst the largest and most important manufacturing organisations in Canada. **DOMTAR** products include: Pulp and Paper, Packaging, Construction Materials, Chemicals and Consumer Products.

DOMTAR now manufactures and markets a growing number of these products in the United Kingdom through:

Howard Smith Hendon Limited
Arborite Limited
Domtar Board & Paper Sales Limited
Samuel Jones—Howard Smith Limited

With the full resources of the Canadian organisation behind them these companies have firmly established themselves in respective fields, and are now serving British and foreign markets with

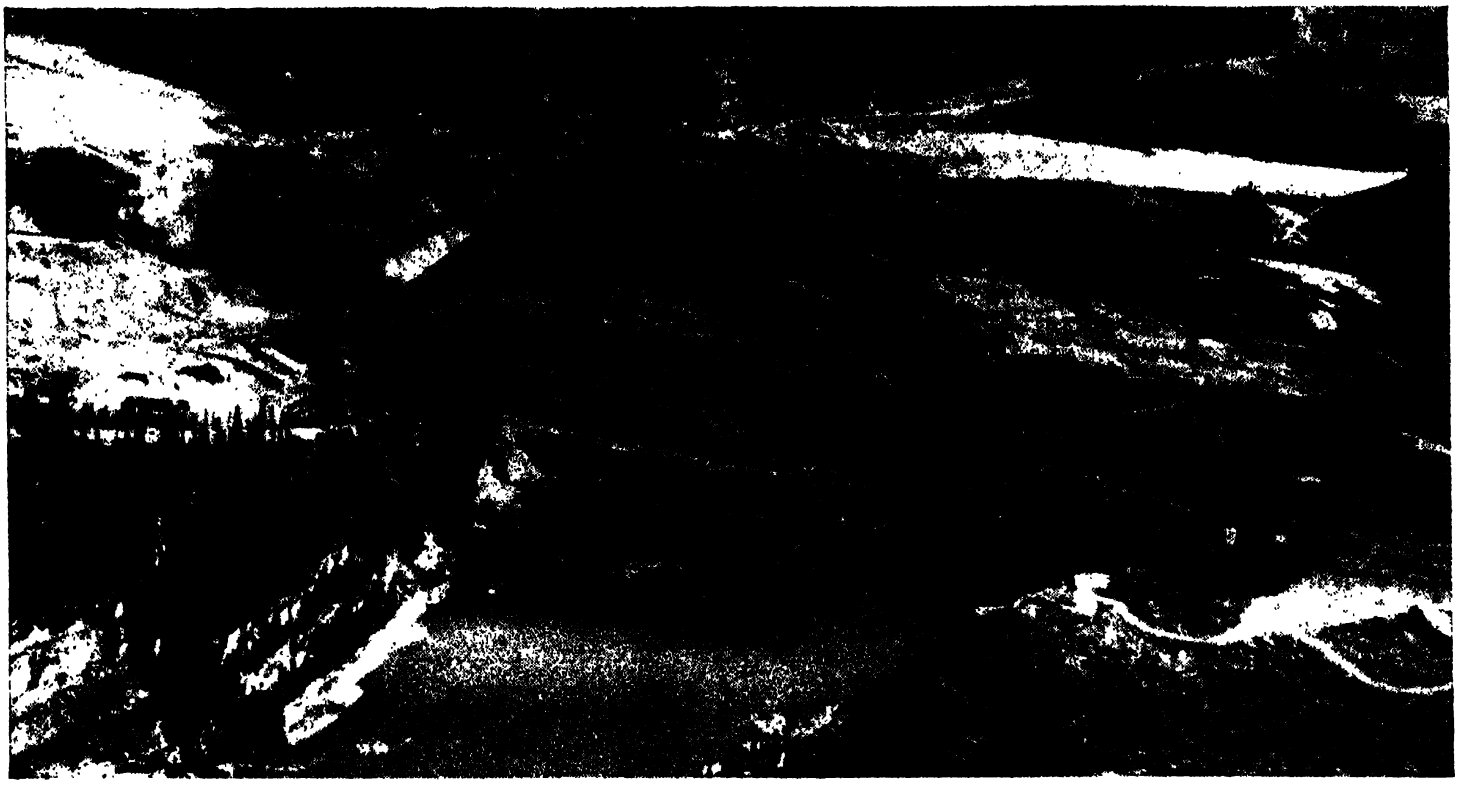
HOWARD SMITH Printing & writing papers and converting grades, etc.

ARBORITE Decorative plastic laminate

DOMTAR Kraft linerboard and [illegible] publication paper

DOMINION TAR & CHEMICAL COMPANY LIMITED
2240 Sun Life Building Montreal 2, P.Q., Canada

DOMTAR Limited
31 Davies Street London W1 Grosvenor 3211



A view of the Portage Mountain damsite showing the beginning of the dam that will rise to 600 feet above the dry river bed with a span 1¼ miles across the Peace River Canyon.

POWER

IS BEHIND

BRITISH COLUMBIA'S BOOMING ECONOMY

Power provides the base for sound industrial progress—both primary and secondary. It provides the incentive for sound investment based on British Columbia's exceptional population and industrial growth.

British Columbia is strategically located to serve Western Canadian, Western U.S.A. and World markets. Its tremendous forest and mineral resources support a fast growing range of manufactured products.

Ask us for the facts on B.C.—investigate the advantages of establishing distribution facilities, branch plants or arranging manufacture under licence. Write direct to:

GOVERNMENT OF THE PROVINCE OF BRITISH COLUMBIA
DEPARTMENT OF INDUSTRIAL DEVELOPMENT, TRADE & COMMERCE
Parliament Buildings, Victoria, B.C. Canada. Hon. RALPH LOFFMARK, Minister
BRITISH COLUMBIA HOUSE, 1 Regent St., London S.W.1, E.C. Westwood, Agent General

BUSINESS BRIEF

The withdrawal of French representatives from Brussels threatens to bring development of the common market to a halt.

In a subdued reaction to the French challenge, trading on the world's bourses has been thin. London has had a (largely technical) rally and Wall Street has been moved only a little by some selling.

Preliminary reports from America suggests that the ending of the dock strike and the initial strong response to President Johnson's voluntary restraints produced a $250 million surplus (seasonally adjusted) in America's balance of payments during April-June. This cuts the deficit for the first half of the year to $1 billion (annual rate) against last year's $3 billion gap.

By official admission, the recorded £24 million drop in Britain's reserves last month understated the true loss - lines of credit with America were again drawn on. But latest indicators suggest that measures to slow the economy were beginning to bite on the consumer front, although investment plans seem little affected.

COMMODITIES: POOR PRODUCERS GET POORER

Developing countries are once more in bad trouble over their export earnings. Prices of many of the primary commodities they sell have slumped from 1963's euphoric levels. Is this a bad-weather warning for the international economy, a sign that world industrial production has not been growing fast enough, that international liquidity is inadequate, or what?

The simple answer is that many developing countries depend on exports of commodities of which supply is largely unpredictable and uncontrollable, and for which demand is relatively slow-growing no matter what the rate of world expansion. The present troubles have arisen despite America's unprecedented boom and the high level of demand in Britain and Germany.

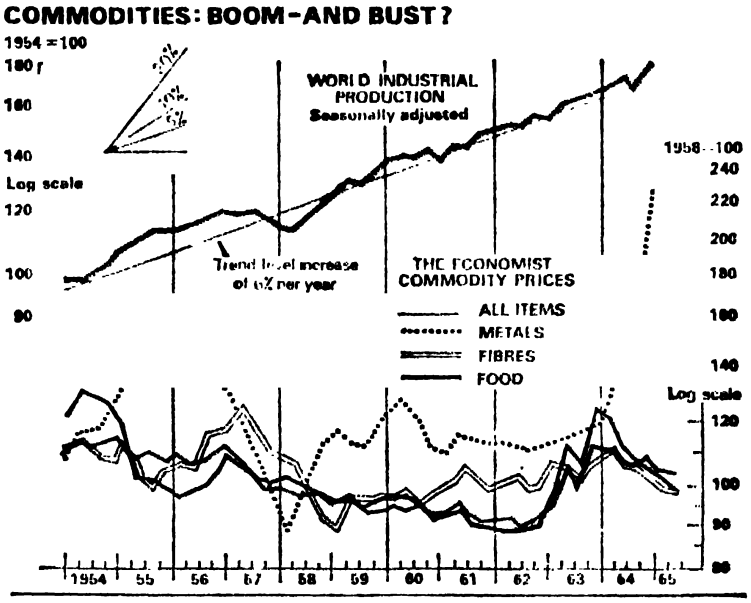
Major discussions on world commodity trade and aid for the underdeveloped are in prospect at next spring's resumed session of the United Nations Trade and Development Conference. But little progress towards real agreement has been made in the past months, and the working sessions now starting up in Geneva were likely to prove arid even before the Common Market blow-up.

Gloom in the Tropics

Vital exports of many tropical countries in Latin America, the Caribbean and Africa are selling at lower price levels now, in real terms, than at the worst of the inter-war depression. Hardest hit are cocoa and sugar. The coffee price slide has been checked, at least temporarily, by Brazil's skilled manipulation of the new quota adjustment mechanism under the International Coffee Agreement. But a huge increase in the Brazilian crop is expected next year, while world consumption continues to grow slowly, so the outlook is bleak. Coconut products, which boomed recently on a temporary shortage, have seen the bubble burst. Copra prices are back to $235 from the year's high of $284. And the International Rubber Study Group has just sounded its own alarm, reiterating last year's statement that there was every prospect of a slow decline in the prices of both natural and synthetic rubber.

"Warm temperate zone" countries have fared somewhat better than the tropics. Sisal now stands at £93 per ton, compared with £148 a year ago. But tea has shown its customary steadiness, and most of the vegetable oils are fairly steady. Tobacco prices have recovered

COMMODITIES: BOOM-AND BUST?



from last year's low levels. And copper, though back from last year's dizzy levels, responds to booming American and European demand

The rich primary producers have, ironically, suffered the least. Wool prices are rising now because of drought in Australia. Demand for meat continues to leap ahead and the major cereals have done well since the communist countries entered the market

Base metals have on the whole moved less spectacularly than tropical agricultural products. Largely, price movements look like natural adjustments after excessive rises in 1963-64. At their high levels, these metals were vulnerable to competition from substitutes, particularly aluminium and plastics, so both producers and consumers were anxious to bring prices down. Ominously, these prices are now easing, further with no sign of overproduction and plenty of political and labour troubles to threaten supplies.

Several economists have suggested that prices of primary commodities have a long-run tendency to decline unless world industrial production is rising considerably faster than its long-run trend. The chart overleaf shows that the correlation is better for industrial raw materials—fibres and metals—than for foodstuffs, where it is practically non-existent. The correlation for raw materials seems natural enough, since periods of rapid expansion lead to bursts of higher-than-usual investment and stock-piling. With foodstuffs, on the other hand, crops can increase far more rapidly from year to year, thanks to progress in disease control, than commercially effective demand could possibly expand.

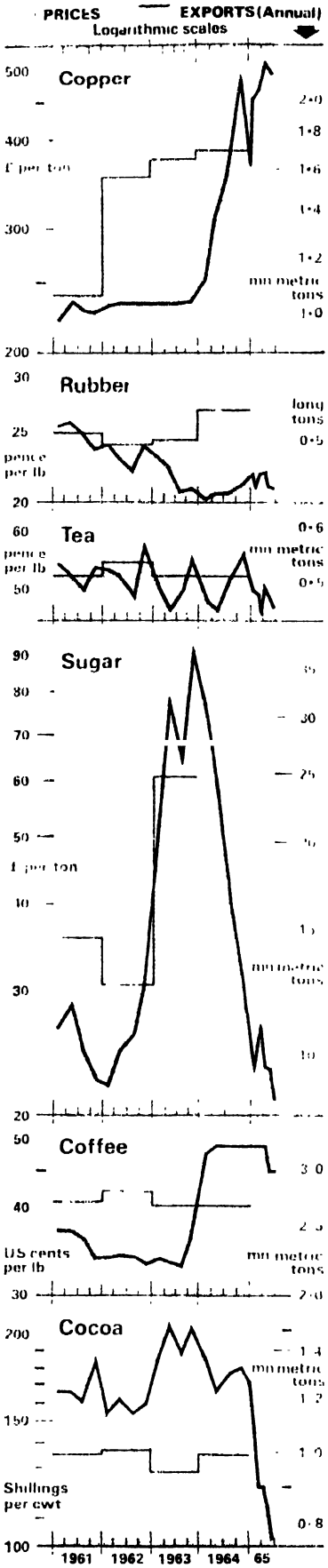
Agreements are Few

More and better international agreements seem to offer the only chance of raising the return on these commodities. Four major agreements are in operation. The wheat agreement, which was due to expire at the end of this month and has now been extended pending the outcome of the Kennedy Round, enjoys apparent success. The main burden of stock financing and disposal is carried by the United States and Canada; and massive purchases by the Soviet Union and China have helped keep stocks from getting out of hand. The coffee agreement's present success leaves Brazil with a stock burden that is much harder for that country to carry; and the next crop, if it comes up to forecast, will do nothing to help. The sugar agreement, which also worked on a basis of export quotas, was disrupted by the Cuban upheaval in 1961. Dr Castro's successful campaign to raise production above 6 million tons this year has done nothing to strengthen the free market price, which is now below £20 after being over £100 only two years ago. The other main sufferer so far, cocoa, is not yet the object of an international agreement since producers and consumers have failed on several occasions to agree on what the target price should be. No one ever suggested that it should be as low as it now is—only one-sixth of the level it reached in dizzy 1954. The tin agreement, which is based on the manipulation of a buffer stock, and was intended to cope mainly with price declines, has been faced with unmanageable rises. The buffer stock manager has had no tin to sell since October 1963. But, despite the long list of unsuccessful agreements, primary producers go on trying to find the ideal formula. What else can they do?

Plans in Prospect

The United Nations Food and Agriculture Organisation has just begun to prepare an "indicative plan" for world food production. One declared aim is to limit the growth of food production in the developed countries of North America and Western Europe, so as to make way for the exports of the less developed. But FAO would also aim at increasing the distribution of food surpluses from North America and western Europe among developing countries so as to free labour from subsistence farming and steer it into rural investment. No such scheme, however, has any chance of being launched on a really big scale until the present angry argument between North America and Western Europe has been settled. North American farmers feel that in the natural order of things, Western Europe should lower its tariffs and allow them to feed its population. The Common Market countries, headed by France, argue that while this might be economic, it is politically impossible.

The Common Market therefore proposes a system of agreements to cover all the main food products, temperate as well as tropical, and arrangements to subsidise export of the surpluses to those in need. **So far, there is no sign of any rapprochement between the American and the Common Market viewpoints.**



Together... Linking the future

Even now the space satellite, as a means of rapid communication over immense distances, is part of our everyday life, and its development is demanding all the technical skills of modern science. Copper and its alloys — proved metals for the modern age — will play their part in the scientific projects of the future with a full contribution from the Delta Group of Companies, Europe's leading manufacturers of non-ferrous metals.

THE DELTA METAL COMPANY LIMITED

EAST GREENWICH · LONDON · S.E.10 and DARTMOUTH STREET · BIRMINGHAM 7

EXTRUDED RODS AND SECTIONS : COPPER TUBES : WIRE

ROLLED PLATE, SHEET AND STRIP : CABLES

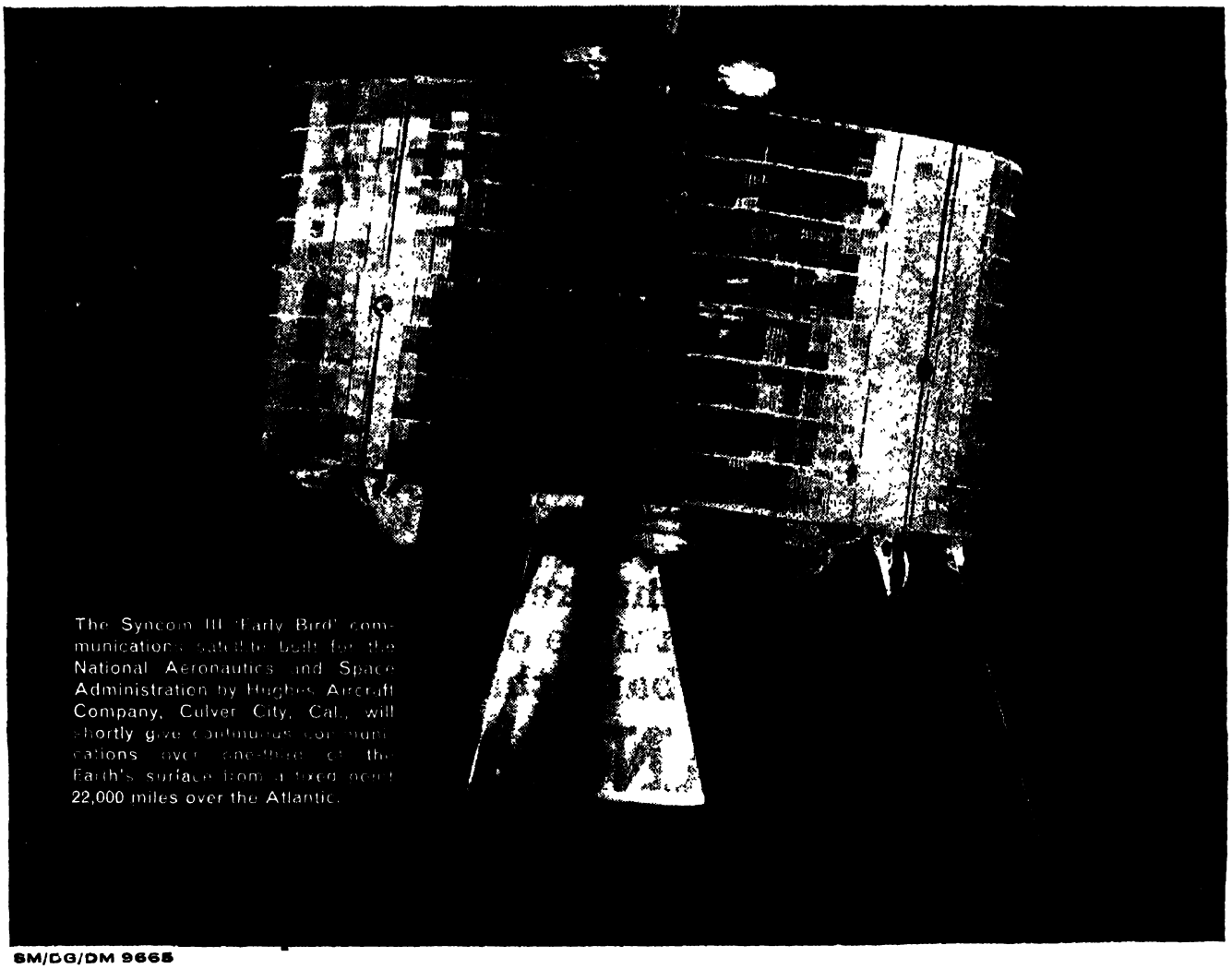
HOT STAMPINGS, PRESSINGS AND FORGINGS

PRESSURE, GRAVITY AND SAND CASTINGS

GAS, ELECTRICAL AND SANITARY FITTINGS

ENGINEERS' AND PLUMBERS' BRASSFOUNDRY : TURNED PARTS

NON-FERROUS FIXINGS FOR THE BUILDING AND MASONRY INDUSTRIES



The Syncom III 'Early Bird' communications satellite built for the National Aeronautics and Space Administration by Hughes Aircraft Company, Culver City, Cal., will shortly give continuous communications over one-third of the Earth's surface from a fixed point 22,000 miles over the Atlantic.

SM/DG/DM 9665

RE THAT QUERY INDIA

WISEST THING CONTACT

NATIONAL AND GRINDLAYS LONDON –

THEY HAVE 36 BRANCHES THERE

The first step to market information on India is to take a note of the name and address of the bank that lives there.

NATIONAL AND GRINDLAYS

BANK LIMITED

Head Office: 26 Bishopsgate, London, EC2

Branches in India, Pakistan, Ceylon, Aden, Somalia, Kenya, Uganda, Tanzania, Zambia, Rhodesia.
Bankers to the Government in Aden, Kenya, Uganda, Zanzibar. Associated Banks: Lloyds Bank Limited · National Provincial Bank Limited.
Banking correspondents throughout the world

BUSINESS

Figuring Out State Industries

The Government has cut £400 million off the coal industry's capital. It also has to make up its mind how much the other nationalised industries ought to be earning on their capital—and which way to set up their targets

TRANSPORT, BOAC and now coal: that puts two and a half of the five major industries nationalised since the war through the wringer of capital reconstruction. Any more to come? Well, London Transport has been forbidden to make a fares increase, and told that it "will not have to bear the loss of revenue caused by the postponement." That need not mean anything as grandiose as writing off capital: but it is the beginning of subsidy. The Post Office? This hybrid, which is not simply a government department nor quite a nationalised industry, and gets some of the best of both worlds,* has the management consultants in. It could have its structure changed and split, hiving off some of the currently loss-making postal operations from the telephones that now cross-subsidise them. BEA? For the present this looks profitable enough, so long as the airline cartel keeps European air fares the highest in the world (see page 155). Electricity and gas? For the moment, not a cloud of a chance in their high-speed world of tomorrow things: these are the nationalised industries that succeed.

Mr Lee's figuring, which last week had the National Coal Board and his own Ministry of Power stuttering a little, now looks a shade clearer. The board will have £400 million written off its capital debt, which at March 31st stood at £927 million. That will save it about £18 million a year in annual interest charges, out of its present £45 million-odd; but Mr Lee put the net annual cost to the taxpayer of the capital reconstruction at £32 million a year. Nobody in the Ministry is prepared to explain this very clearly. One way of looking at it, in sheer accounting terms, is that the Exchequer advances through which the board has borrowed capital from the Government are funded into 25-year annuities and repaid in equal annual instalments, so that by cancelling the £400 million the Government will be depriving itself of capital repayments over a period as well as of interest. Just how that should be valued on the capital account will depend on the tranches of debt that it is decided to wipe out.

In terms of the coal industry's own annual cash flow, the cut in interest liabilities will presumably be matched by some cut, to be decided upon, in its provisions for depreciation. Dovetailed not too conspicuously into Mr Lee's statement was the intention that following upon this capital reconstruction—immediately or after a year or two of grace—the board will be expected to become wholly self-financing. This presumably means that it will be allowed to go in for no more capital investment—in collieries—than it can provide from internal resources such as depreciation. That would be logical enough for an industry that has to cut back, and write off, over-extended capacity. Even when coal gets down to the core of efficient mines that it now hopes will be able to compete in the seventies, the most it could hope to do would be to keep their capacity (175 million tons?) in being. So there will be no case for borrowing more new capital to build up the same problem of overhead charges again. The finances of this will have to be spelt out in the white paper in September and legislation before the end of the year; there was going to be a bill to renew the board's borrowing powers this year, anyway, and that will be made into a wider measure. Nobody knows yet what "special funds" over and above this the Government will have to provide to help the industry close mines faster and find other jobs for men in places like South Wales and Durham: other government departments will presumably come into that regional exercise.

DIRECTLY, this capital reconstruction will reduce coal's current overheads by less than 2s. a ton, so that Mr Lee was a bit premature in talking about price cuts. In principle, depreciation provisions can be trimmed too; but the obligation of self-financing a year or two down the road may make the coal board cautious about that. Faster closing of loss-making pits should help the board to concentrate again on production with markedly lower operating costs, apart from trimming the interest burden. Even so, continuing price increases, though small ones, seem more likely than at any rate general price cuts. (Perhaps not this year, though. Politically, it seems to have been the fear of a sizeable price increase earlier this year, and the alarm this caused in another Department, that finally eased the capital reconstruction through the Cabinet.)

And what kind of financial objective does the Government set this nationalised industry now? It so happens that the board's capital structure will come up for reconstruction at a time when the Government and all these state industries are thinking about the next batch of objectives that it may choose to set them, since their first five-year period, 1962-66 inclusive, will be over next year. These objectives, expressed as gross rates of return on net assets, to be earned as an average over a coming five-year period, were introduced in 1961 as

* For example; it has so contrived its affairs that it cannot be investigated by either the Select Committee on Estimates or the Select Committee on Nationalised Industries.

a new form of financial discipline. Until then these state industries had simply their statutory obligation to secure revenues not less than sufficient to break even with costs, "taking one year with another." Whatever that meant, some of them were pretty clearly not doing it. The Conservative government's idea was to set as a first approximation for the performance that these industries ought to achieve a rate of return comparable to those obtained by large, competitive private enterprise; and then to adjust this rate, taking account of the particular circumstances, social obligations, and so on, of each state industry, to reach individual target figures.

No department has ever explained just how it modified this "competitive rate of return," and on what grounds, for each industry. Not all the state industries were ever given such objectives: transport, in the throes of capital reconstruction and physical rationalisation, was given its own special prescription. The other industries were dealt with in different ways; most of the electricity and gas boards were given target rates of return, but one or two were given target percentages of their investment to self-finance, and coal was told to aim at providing £10 million a year over and above historical depreciation. Averages for electricity in England and south Scotland were set at 12.4 and 12.5 per cent respectively (no objective, to this day, has ever been set for the North of Scotland Hydro-Electric Board). For the gas industry the rate set averaged 10.2 per cent. Neither of these two industries has yet reached the objective given it, though they may still have a chance. But the need to reach their targets has obliged them—particularly electricity—to make some sizeable price increases during the past four years.

Some economists would stoutly defend the system of financial objectives as a step forward in Government discipline over nationalised industries. Others, even admitting that the objectives have had incentive effects in tightening up commercial thinking within these industries, still regard the form of them as a sham, and one liable to be misleading. What the departments are really telling the industries, they argue, is to cover their costs including interest over the coming five years, plus a cash surplus that really amounts to a tax on their products. As most other products sold in the economy bear tax, there is no reason why those of state industries alone should escape it. Fine; but why divide the result of this by some number estimated to be the average net capital of the industry during this five-year period and express it as a rate of return? The misleading possibility here, they fear, is that this rate will be assumed as being in some way suitable for the appraisal of new investment projects in these industries, which it should not be; and that it may therefore be wrongly assumed that different rates of return can be used in the appraisal of new investment projects in, for example, the electricity and gas industries. They would prefer to see the industries' objectives set as cash sums of surplus, over and above depreciation at replacement costs, to be earned by these industries in coming years; and criteria for new investment set separately—and on the same basis for all industries. The Treasury might well agree about setting separate and uniform criteria for new investment taking the form of a rate of interest approximating to the "opportunity cost of capital," or the rate that capital put into the state industries could have earned if invested by private industry. (More eggheaded discussion of these matters brings in the concepts of "social rates of discount" and a "shadow price" for capital.)

Practically, however, the Labour Government has committed itself to the same approach of setting financial objectives; and is likely to do so once again as rates of return on these industries' whole bundle of existing and maturing assets—at least for electricity and gas. And in these two competing state industries the rate of surplus they are required to earn over the five years 1967-71 will matter, however it may be expressed. Five years ago, when gas sales were stagnant and the industry had a large array of partly under-utilised assets, electricity was not particularly concerned about its rival's being required to earn a lower rate of surplus. Now, with electricity sales not achieving the accelerated rate of growth that the industry anticipated three or four years ago, and gas sales last year rising slightly the more of the two, electricity is very concerned indeed about what the gas industry is obliged to earn.

If one takes the financial objectives at face value—as representing proper depreciation, plus a rate of interest on capital, plus some required further margin of surplus—then one element in them might reasonably vary between the industries. Depreciation at replacement cost might now mean very different things for electricity and gas. The gas industry is now providing a good deal of depreciation on a large park of carbonisation equipment, which it is using less and less, and which will never be replaced with the same, extremely expensive plant. Its replacement cost for gas-producing plant is now the capital cost of oil gasification plant, at something like a sixth the price. Now the capital cost of conventional electricity generating stations has halved, too, since the early fifties, so that electricity's book depreciation at historical cost probably provides much more than would really be needed on a replacement basis—if coal power stations were likely to be replaced with other coal power stations. In fact, they probably will not; they are now likely to be replaced to a large extent with nuclear plant—of which the latest AGR capital cost estimates are about double those of conventional stations. Replacement cost depreciation for electricity, in terms of what will eventually replace present plant, may therefore be more in line with what the industry is providing now (though nuclear capital costs can continue on down). Replacement cost depreciation for gas might mean only a fraction of the provision related to carbonisation equipment. Both industries have sizeable elements of their depreciation related to transmission and distribution equipment, where the results of technical innovation are probably not as dramatic. So the sharp difference between the provision for depreciation in gas's present financial objective and its future replacement needs affects only some of the assets that it is amortising. Nevertheless, this is one point on which the financial objectives set for gas might very reasonably differ from the target set for electricity.

As to the rate of surplus the two industries are required to earn—in the present figures, notionally 2¼ per cent for electricity against 1½ per cent for gas—if you look on this as part of a real rate of return there seems no reason why this should differ. If it is looked on as a tax, no doubt it should be identical, too, but the results would be very different: a tax might be related to turnover, not net capital employed. The electricity industry, moreover, has another worry—one it set

itself. At present its "objective" rate of return is charged on its capital works in progress, as well as on the assets that are actually producing; since it takes some years to bring power stations and supergrid lines into commission, this work in progress now accounts at any one time for no less than £800 million of accrued progress payments. Four years ago the Electricity Council was glad to provide depreciation and interest on these nascent assets, at a time when it was pushing up prices and did not want to show enormous surpluses to tempt consumers and trade unions. Today, with a hot breath of highspeed gas down its neck, it is not sure whether it ought to be asking today's consumer to pay these capital charges on equipment that will never produce a unit until tomorrow. As annual investment grows, presumably this margin of uncompleted capital will grow with it—unless British manufacturers can trim their construction periods considerably.

Coal, then, will have its own kind of financial objective—a reduced and then frozen interest charge, then no more capital investment than it can wholly self-finance (equals: no expansion). Should gas and electricity be required to earn similar rates of surplus? Possibly. Their rates of interest on actual advances are matters of fact. But their depreciation at replacement cost could differ markedly. (Good for gas? Maybe. But it might also mean capital reconstruction for some of the gas boards, too.) And perhaps the financial objectives might anyway be better set as cash sums of surplus that these industries ought to earn. Should interest and depreciation be charged on the margin of uncompleted plant? Perhaps not; in capital-intensive private industries this overhang of progress payments might well be capitalised. And criteria for new investment? Nothing to do with financial obectives. Crude or refined: whatever politicians, civil servants, journalists—and even nationalised industry managers—can be educated to accept. But the same for everybody.

A Case of Overcharging

Standard air fares in Europe have not changed for twelve years and short of government intervention (are you listening, Mr Jenkins?) it looks as if nothing will make the airlines bring them down

THE chief executive of British European Airways said casually in Paris on Tuesday that his airline was trying to get Air France to agree to a 20 per cent cut in night fares to Paris without—judging from Mr Marking's expression—much success. Even for small initiatives, let us be thankful. The London to Paris air fare is now the highest in the world (if one excepts the helicopter flights to the Scilly Isles) for some of the worst service. The single fare for the 208 mile journey is £9 8s.; it has not come down for 12 years and even went up this spring by a few shillings. Mercifully, it is quick, because passengers paying this exhorbitant price do not get so much as a cup of tea, not to mention a biscuit—although one notes the cabin staff have time enough to sell drinks; they are lucky to get civility, luckier still to get a seat when they want it. If the two airlines carving-up this route between them (this is how the situation is described inside the Ministry of Aviation; the Minister himself has said publicly that he dislikes profoundly what is going on) are going to over-charge, then they are surely under some obligation to provide enough seats. What will they do next—put the seats up to auction?

For inferior, erratic and inadequate services, passengers are paying at the rate of 10½d. a mile. A fair rate, giving a fair profit, would be 5d. a mile; this is charged on the North Atlantic and across wide areas of the United States. On the west coast of America, on the same sort of short route between Los Angeles and San Francisco, jet tickets cost as little as 3d. a mile. So what is the Ministry going to do about it? All that BEA currently proposes is to cut night fares by 20 per cent (they are already 20 per cent lower than day) to give a return fare of about £10 against the present standard return of £17 18s. The condition suggested to Air France was that these £10 return tickets should be valid only for propellor aircraft; this because BEA has Viscounts and Vanguards used on the domestic services during the day which are currently unemployed at night. Not a specially big concession, but one likely to be too big for Air France to swallow.

For the airlines in Europe actually pride themselves on charging what the market will bear (and putting on the minimum services that the passenger will put up with). When it won't bear, fares are cut, as they are for the brutal business of flying by night and arriving in a hostile airport at 2 a.m. in the morning; equally for checking in at 6.30 a.m. for an 8 a.m. flight. In a competitive market, one might applaud this as an exercise in shrewd common-sense. But we are discussing a monopoly situation, in which prices are fixed by governments and cannot be altered without their consent. We are discussing a situation where airlines agree how many services they will put on each day and how many seats, where profits are pooled and shared out in pre-arranged proportions. British European Airways has Trident jets on its Paris services now. Not because they pay—they don't, they lose vast sums because they were never built for this short-haul, yo-yo work—but because BEA's share of the London-Paris traffic was down to nearly 40 per cent, while receipts were being split 50-50 and Air France, carrying nearly 60 per cent of the traffic, was objecting forcefully to subsidising BEA.

This is not an edifying condition; the London-Paris service happens to be the most outrageous example of what can happen when governments give airlines their head, but the same thing goes on only about 20 per cent less outrageously right across Europe, and with full government approval. Between them, for example, BEA and Swissair run precisely three daily services regularly each way between London and Geneva, as those who do business in Switzerland, or with the agencies established there, know to their cost. Some other airlines stop there on some days and some days BEA and Swissair have more flights; but never the day one wants. And this is not, for once, a situation that can be laid at the door

of the International Air Transport Association and there forgotten. It arises directly from arrangements between governments, Britain and Switzerland, Britain and France, Britain and the Soviet Union, Britain and Italy and so on. These allow—sometimes they actually compel—the two airlines to enter into pooling agreements. And thus protected from competition, their own and other people's, they carve up the traffic and keep up the fares until someone rebels. The result is that air transport has not developed inside Europe to anything like the extent that population, or wealth, or level of business activity or any other index that you like to mention, requires that it should. People do not fly because they cannot afford it. The only air business that booms in Europe is the holiday tourist business, and this is because travel agents get special half-price tickets from the airlines. Could there be any plainer demonstration that low fares promote traffic?

A cartel does not become any the more attractive because it is in the air and not on the ground. When cartel agreements between businesses are being outlawed in one country after another, when managers are threatened by the English courts with the risk of being held personally accountable for price fixing or other forms of collusion by their companies, why do this and other European governments continue to encourage it actively in the air? Are airlines not businesses too? Some are admittedly very badly run ones, but Swissair is privately owned; BEA earns normal commercial returns on its capital employed . . . What the airlines are doing is to rig the market, keeping prices up and supplies down. How can an independent airline offer a road-air service to Paris for £9 8s. return, when BEA and Air France charge that for a one-way journey? The basic air fare inside Europe, to almost all destinations, has not been reduced for 12 years—not, in fact, since tourist services were first invented. Passengers of Europe revolt, you have nothing to lose but black looks from the stewardesses. (And you get those now for speaking out of turn!)

Blood Beneath the Mountain

In tunnelling through Europe's most formidable barrier, pick and shovel were sometimes the most effective tools

BY A CORRESPONDENT

NEXT Friday, July 16th, Presidents de Gaulle and Saragat are due to open Europe's new motor tunnel through Mont Blanc in a ceremony that will mark the successful conclusion of more than a century of squabbles, agitation and frustration, not to mention a variety of hare-brained engineering schemes. Now, it needs only the Channel Tunnel to bring into being the idea, first conceived in 1928, of a straight *Route Blanche* linking London, Paris, Geneva and Rome.

Had it not been for the outrageous and wholly unauthorised initiative of Count Lora Totino, a wealthy woollen manufacturer of Turin, the presidents of France and Italy would not now be preparing to visit Courmayeur, the mountain town at the foot of Mont Blanc's southern slopes, where next week's formal opening of the motor road is to take place.

In 1946 the Count launched a company, Il Traforo Monte Bianco, and collected £150,000, for which he hired a team of miners to blast their way through the massif. The team had advanced 660 ft. into the mountain when the military authorities in Rome, recovering from previous events, began to wonder by what authority Count Totino was mining a hole through Italy's northern bastion. An inquiry revealed that he had not bothered to inform anybody of his doings. In the general postwar confusion, Totino had simply gone ahead with his pet scheme.

Stopped on his way through the mountain, Count Totino went over it instead by constructing a ropeway across the du Geant and di Toula glaciers, and thus became the first to join the Aosta and Chamonix valleys. But he ceased to have anything further to do with the tunnel. A French-Italian commission was appointed to study the viability of a tunnel scheme and out of its labours came eventually the Mont Blanc Convention of 1953, whereby the French and Italian governments agreed to share the cost of the tunnel and outlined the constitution of the state corporations that were to construct and operate it.

These formalities took a number of years, and it was not until 1958 that the Italian and French tunnel corporations were set up and provided with capital. The Italian one obtained a share capital of 400 million lire and a subsidy of 4,037 million lire to build the Italian trunk, while its French counterpart received 400 million francs in equity capital and was pledged 2,020 million francs and given the authority to borrow a further 2,000 million francs.

Originally it was estimated that the cost of the seven-mile tunnel would be the equivalent of £11.2 million: needless to say, the estimate proved far too low and the cost kept increasing during the 5½ years of construction. The final bill is likely to exceed £25 million.

THE Mont Blanc tunnel, now opened for traffic, has its southern portal at the hamlet of Entrèves, at an elevation of 4,434 ft., and the northern one near Les Pélerins, about 1¼ miles from Chamonix, at an altitude of 4,179 ft. The 355 ft. difference in elevation between the terminals helps ventilate the long gallery which runs directly under the Aiguille du Midi, where the rock cover is 7,792 ft. In addition, the mechanical ventilation plant has a capacity of 600 cubic metres (21,000 cubic feet) a second. The tunnel is horseshoe-shaped with two 11½ ft. lanes, and on each side a 2½-ft. pathway.

The capacity of the tunnel is 600 vehicles an hour carrying about two million passengers and 200,000 tons of freight a year. Local communications are dramatically improved. Using the most convenient pass, the distance travelled by lorries from Geneva to Turin is 200 miles in summer, but in winter when the passes are closed by snow the road distance increases to 490 miles, whereas the Mont Blanc tunnel reduces the distance to 168 miles at all times of the year.

The building of the tunnel particularly the mining, proved possibly the most difficult in the horrendous history of

Alpine tunnelling. Seventeen men lost their lives and 800 were injured out of a total force of 995. Despite extensive precautions, the risk of getting hurt came uncomfortably close to certainty during the 42 months of mining.

The irony was that the geological forecasts made by the most eminent professors of Alpine geology promised good mining rock for practically the entire length of the tunnel. For this reason the French contractor Société des Enterprises A. Borie acquired £180,000 worth of heavy Ingersoll-Rand drilling equipment for a fully mechanised drive of the northern trunk. It was the first time that American industrial methods had been applied on a major European development. With this equipment and heavy rail transport, the French contractor planned to excavate 1,300 cubic metres a day for an advance of 12 metres, or 40 ft., and he hoped to have the mining done in 30 months.

The Italian contractor, Società Italiana per Condotte d'Acqua, also flirted with the idea of a mechanised advance, but the management's instinctive distrust of the optimistic survey made it choose light Atlas Copco drilling equipment and the more flexible Swedish method of full-face advance. The Italian investment in drilling equipment came to a mere £10,000, but the management hoped to equal the projected French advance of 12 metres a day once the protogine granite in the heart of the mountain was reached.

THE 100-ton French self-propelled gantry jumbo, mounting 16 machines, ran into decompressed rock almost from the outset, when the rock cover was only about 1,000 ft. With the continued advance under increasing height of cover the more unstable the overhead rock became, the more support it needed, and the longer the work began to take. The regular eight-hour shift lengthened to 15 hours or more. Since the face kept collapsing it had to be bolted in order to keep it upright while drilling. In the end, the French contractor placed the fantastic total of 169,330 bolts to keep the gallery intact.

This tremendous expenditure on rock bolting became unavoidable because with the heavy plant used, there was no possibility of changing the method. But instead of tunnelling 40 ft. a day, the mean daily advance slowed down to 18 ft. Although the French contract allowed all reinforcement work to be charged extra, the advance must have been made at a loss since the expensive plant could only be used at considerably less than half capacity.

The Italian advance was sheer horror for the first 13,000 ft. Three months after the work started, a spill of several hundred cubic yards of rock destroyed the jumbo, but the miners escaped unscathed with their machines. They had entered the first zone of crumbling rock shot through with springs, and had to spend 100 days working with pick and shovel to gain 327 ft. in a heavily timbered pilot heading. Thus, before the end of six months they were clawing at the rock in the manner of their Roman predecessors; the daily gain was about the same as when tunnelling the ancient aqueducts, that is, about three feet a day.

When after a year the protogine granite was reached at 4,250 ft. the rock proved to be heavily stressed and ejected razor-sharp slivers that could decapitate a man coming in their way. The roof and shoulders had to be bolted and provided with a steel net to catch the lethal slivers and falling rock. But this was merely a curtain raiser to the most difficult period, the 165 days spent digging out a 788-ft. zone of crumbling mylonite by hand; here the miners could work only a four-hour shift. When they came out of the mylonite zone the contractor had lost the equivalent of £750,000. Worse, the rock temperature kept dropping, to 12° C. instead of rising to 45° C. as predicted, suggesting that the numerous aquifiers encountered were fed by ice water from the Toula glacier 4,000 feet above, and that precipitous material possibly extended all the way and could at any moment drop into the gallery.

In fact, nothing like this happened, but a few months later one of the springs jetted out 18,000 gallons of water a minute and flooded the entire gallery. In February, 1962, at 13,000 ft., the miners found firm rock for the first time and made a record gain of 807 ft., the best accomplishment in Mont Blanc, but the rock kept deteriorating and in March it was decided to abandon the full-face drive and continue with a 565-cu. ft. top heading. The rock proved amenable to the reduced area and an advance of 919 ft. was made, when in early April two large avalanches struck the portal installations. Three men died, 30 more came close to dying, and ten buildings were destroyed.

This was the end of the Italian Via Dolorosa through Mont Blanc. In a record-shattering advance the miners extended the gallery 4,400 ft. in a few months and on August 3, 1962, they reached the midpoint at 19,029 ft. They could then hear the rumble of the French machines 120 ft. away. The final round in the tunnel was fired by the chairman of the French contracting syndicate, M. Giscard d'Estaing, on August 14th at 11.45 a.m. The Italian miners had spent 1,302 days excavating, at an average of 13 ft. a day, compared with their French colleagues' 18 ft. a day.

The two years following the end of the mining were spent in lining the tunnel and devising means of prefabricating and placing the deck and ventilation ducts in 66 ft. sections, and installing the ventilation plant.

It is a sobering thought, at a time when astronauts are making their first ventures into space, that neither science nor industry seem able to surmount the obstacles in the earth's crust. At the crunch, there are no substitutes for the elementary tools, the pick and the spade, wielded by men "willing to suffer sacrifices," to quote the citation ordaining seventy Mont Blanc miners Cavaliers of the Order of the Italian Republic for their three years of bitter struggle to overcome the most formidable barrier in Europe.

EIU Quarterly Economic Review

PORTUGAL and Overseas Provinces

Our forthcoming Review discusses the progress of Portugal's struggle to remain in Africa and the implications of the forthcoming presidential elections. It also assesses economic prospects in the light of the Transitional Development Plan

Details and subscription rates:

THE ECONOMIST INTELLIGENCE UNIT

Spencer House 27 St James's Place London SW1
HYDe Park 6711 ext 27

60 East 42nd Street New York NY 10017 Murray Hill 7-6850

Livraria Bertrand S.A.R.L., 73 Rua Garrett 75 Apartardo No 2078 Lisboa 2 Portugal

BUSINESS INVESTMENT

FINANCE BILL

Bonanza Week for the Small Investor

THE clause added to the finance bill so sensationally in the early hours of Wednesday means that investment and unit trusts will not pay corporation tax on their realised capital gains, but tax at a rate not exceeding that payable by individuals—a maximum of 30% instead of 35% to 40%. The new clause removes one illogicality and introduces another: a unit trust is not a company but was previously treated as one, but an investment trust really is a company and is now not to be treated as one for the purposes of capital gains tax. There was little reason for a unit holder to pay corporation tax on capital gains made as a unit holder, while he would pay less if he held the shares directly.

One point is still unclear. Few people except surtax payers will now be liable to long-term capital gains tax at the full 30%. As a result of another amendment recently tabled by the Chancellor the tax payer will be entitled to charge half his capital gain (instead of two-thirds as originally proposed) to tax at his marginal income tax rate (that is the rate on his top slice of income) rather than paying capital gains tax at 30% on the whole gain. Previously a taxpayer on the standard 8s. 3d. stood to pay at 27% if he took advantage of the alternative means of payment (⅔ of 41¼%). The new concession by the Chancellor means that the standard-rate payer pays only 20¼% if he wants to, and many holders of units are not paying 8s. 3d. on any of their income, so their effective rate will be even lower.

The new clause talks of "an" individual, not "the" individual: does this mean that a rate of 30% will be taken as a normal personal rate, even if most holders will be in fact paying less? If so, will a rebate scheme be possible? Or will an average be taken, much as income tax is assessed on building societies on an average basis, with an agreed maximum holding and provision for grossing up for surtax payers?

Even before the windfall on Tuesday night the investment trusts had had a good deal of relief in amendments tabled by the Chancellor last weekend. They had apparently managed to convince him of the value of investment trusts as a savings medium for smaller investors, so he had relaxed a number of definitions: trusts are now allowed to have as much of their portfolio as they like in one or more other trusts. Instead of having to distribute 90% of available income they have to pay out only a minimum of 85% in any one accounting period. The rules for the proportion of the trust's assets that can be held in any one company have been significantly relaxed: as have those defining a trust now there is no nonsense about control by fifty or fewer persons. A trust has only not to be a "close" company; that will be enough for its shareholders to escape the double capital gains tax liability, personal and corporate, that is the lot of the shareholder in a dealing company, or a "close" investment trust. Many of these are family-controlled companies of convenience anyway, over whom no tears need be shed.

Yet it was precisely these closely-controlled companies that were helped by the last of this week's concessions, this time by the Chancellor over "close company" status. Any company 35% of whose voting equity capital (and preferred or preference capital is excluded) is held by the public will now be excused from the rules. This contrasts with the 25% minimum needed to escape a possible surtax direction under the former dispensation, and no exemption at all for quotation in the Bill as originally published. There is no particular reason for this concession: it is these closely held public concerns that are the most immune to take-over—as they are still if the public holds an extra 10% of the equity. The great advantage of the original phrasing was that it forced these companies to disgorge surplus profits as dividends unless they could find a good reason to convince the Revenue that they shouldn't. Is the Chancellor rattled?

WINE BID

The Other Harvey of Bristol

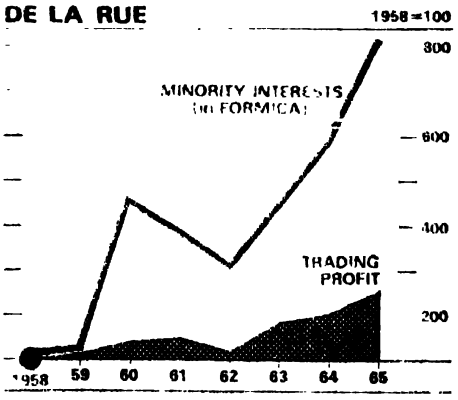
INTEGRATING the constituent elements of the Showerings Vine Products and Whiteways group might seem more than enough for any board of directors. But this thought has evidently not prevented the directors of this company bidding for Harveys of Bristol, the wine merchants, bottlers, blenders, shippers of "Bristol Cream" sherry, and "Cockburn's Port," and, until recently, the unfortunate owners of the loss making chain of off-licence shops, Bristol Vinters.

The Harveys directors are defending on the grounds that the Showerings bid is too low, and clearly hope to solicit a higher offer, presumably from a brewery. In this they may succeed and the market, which has pushed the share price 2s. above the bid level, clearly agrees. But if they do not their shareholders have little grounds for refusing the bid. This, consisting of two Showering shares (20s. 6d. each in the market and yielding 6.1%) plus 14s. cash for three Harvey's shares, values the latter at 18s. 4d. each against a pre-bid price of 13s. 10½d. and on a dividend yield of 4.4%. Since 1958, when Harveys became public, equity earnings have increased by less than 12% over seven years, even though it is operating in an allegedly growth business and in spite of the high dividend cover (3 to 4 times) in its early years. But the Showerings management seems to have been more successful with its British wines. Since its formation in 1961, earnings have risen by over 27%, and a further rise in pre-tax profits of 14% is forecast for 1965. Moreover, it seems that most of the benefits from the merger are still to come, eventually. In the meantime, Showerings may actually gain from the increase in duty on wines, to the extent that this causes switching to the cheaper product. But in the long term it seems fair to guess that the higher-quality, heavily-promoted Harveys products ought to do better, especially under the seemingly more effective Showerings management. This is presumably the reasoning underlying the Showerings bid. There is no need for drinkers of "Bristol Cream" to fear that Gresham's law now applies to wine.

DE LA RUE

Soundly Based on Formica?

WITH glacial speed De La Rue's pre-tax profits advanced only 14% between 1960 and 1964, and at first sight the 20% rise to £3.6 million in the year to March 27th is a startling improvement. But the shareholders' earnings are marginally down on the previous year. Apart from the higher



tax charge (investment allowances were down) this decline is caused by a higher minority charge: all the rise in profits—and a bit more—came from the Formica sub-

Mr Harvey and his Board

The British Printing Corporation was formed early in 1964 as a result of the merger of two large printing groups, Purnell, whose chairman was and is Mr Wilfred Harvey, and Hazell Sun, who's chairman was Sir Geoffrey Crowther. The merger was hastily arranged as a result of an offer for Hazell Sun by the News of the World: had this gone through the resulting group would have had over two-thirds of the rotary gravure printing capacity in this country. The News of the World bid was rejected, partly on grounds of public interest, by the Hazell Sun board, which together with over half the shareholders accepted a better bid from Purnell. So an improved bid by News of the World, outbidding Purnell, failed. The speed of the merger apparently prevented any detailed look by the Hazell Sun directors at the service agreements of the Purnell directors, a surprising lapse in view of their very high level of remuneration. London Merchant Securities, the Chairman of which is Mr Max Rayne, has nearly 10% of the equity of BPC: Sir Isaac Wolfson (personally) is reputed to be a large shareholder. He has declared himself neutral in the disagreement. A number of large insurance companies, notably the Prudential (2½% of the equity) and Pension funds are also substantial shareholders as is the Thomson Organisation.

The Board of BPC consists of eight members, four each from the Purnell and Hazell Sunparts. Last Friday the four Hazell Sun directors, headed by Sir Geoffrey Crowther and Mr Rayne, issued a circular to convene an extraordinary general meeting to sanction the removal from the board not only of Mr Harvey, but also of his legal adviser, Sir Dingwall Bateson, and his son-in-law, Mr Peter Lavington.

THE Crowther group declares, first that Mr Harvey is over-paid: that his total pay for 1964 was to be £270,000: further that he was from the merger onwards to be entitled to 8% of the profits (over £20,000) of the joint company, pre-tax and interest, a level of payment that the four directors find "grotesque and ridiculous." The service agreements of the four Purnell directors of BPC are said to have been altered in the month between the merger and the first meeting of the joint Board: by these changes Mr Harvey's service agreement was extended for three and a half years, to 1970 when he will be 72. And if he ceased to be a Director of the Company for any reason other than retirement under Clause 4 (there is in fact no clause 4) he was to remain on full pay as Joint General and Sales Manager. These changes constitute a breach of faith in the eyes of the rebel directors.

There are also major managerial complaints. "From the inception of the merged Corporation" say the four directors "we have pressed for the reorganisation that was needed if the full benefits of the merger were to be reaped." But they say Mr Harvey resisted this, and also a plan that consultants should be called in: "He prefers to issue direct personal and oral instructions to each of his subordinates separately" since there are few or no board meetings on the Purnell side of BPC; and Mr Harvey's "method of organisation is that everyone should report directly and exclusively to him." Mr Harvey's response to a call for resignation in June was a hastily-called board meeting at which Sir Dingwall Bateson and Mr Lavington were appointed—another cause for complaint.

MR HARVEY together with Sir Dingwall Bateson and Mr Lavington issued a preliminary reply on Monday. They said that they had not officially received the circular, and had only read about it in the Press: that the EGM had not been properly called as the requisition had not enough signatories "facts which do not inspire confidence in the ability of Sir Geoffrey Crowther and his colleagues to conduct the affairs of the Company."

[We understand that the notice had the support of 10% of the ordinary shareholders. But there are Preference shares with voting rights in issue, and there was not the necessary 10% if these were included, as they are by the Companies Act.]

Mr Harvey also quotes a letter of June 11th signed only by him in which he states that the decision to appoint the additional directors was in order to carry on the business after the refusal of the Hazell Sun directors to make "other than formal decisions" at or after the board meeting of May 27th. He declares himself ready to discuss the management of BPC but at board meetings not in private as allegedly proposed in the past by Sir Geoffrey—and will deal with the criticisms about management when they have been properly considered. In any case, none of the rebel directors had the necessary knowledge or experience to run the company while "Mr Harvey's experience in the printing industry covers a period of forty years." [The rebel directors had never, as they said later, claimed to want to run the company.]

As to the service agreement: the revision was under consideration in August 1963: it was intended purely to "extend the length of my service and alter to some extent, my title in the same event." Mr Harvey adds that he is quite prepared to waive commission on the Hazell Sun proportion of profits: has already waived £600,000 on previous service agreements: and is prepared to make a new agreement, under which if he retires as a director he will be paid a maximum of £50,000 a year. He ends by saying that the present disagreement will particularly harm "current plans for refinance and also our present relations with our bankers."

sidiary which is 40% owned by American Cyanamid. Potterton, the gas and oil heater subsidiary, increased its sales by nearly £2 million and halved its profits to £305,000; a new product range and running in expenses were the main cause of the profit decline, which the rise in De La Rue International's profits was not able to offset. De La Rue is a company with a wide range of apparently promising products, good research facilities and a go-ahead attitude that somehow never manages to get going. It seems to have too much locked up in research-intensive industries, like its joint computer company with Machines Bull, with little hope of receiving a reasonable return in the foreseeable future, if at all. So far the Formica investment has paid well, but in plastic laminates competition is increasing and Italian products in particular are noticeably cheaper.

De La Rue's shares at 23s. 7½d. now yield 6.3%, and have completely lost the unwarranted growth status they were given five years ago. Even so they do not look cheap. Cover under the old tax system is 1.7 and even the chairman admits: "we shall do well if we can register a modest improvement in profits." The company produces good accounts, has good staff relations and goes out of its way (with quarterly reports and regional shareholders' meetings for instance) to let shareholders know about their company. But the board does not seem able to avoid relying on Formica to offset the decline in profits of the other interests that began in 1962.

FRENCH MARKET

An Additional Burden

Paris

WHILE the French are setting out on holiday, the state of their economy remains dull. Industrial production is recovering only modestly and uncertainly, and investment remains well below the planned level. Only foreign trade shows favourable results with exports 22% up in May, on those of the same month of last year. This growth shows that the stabilisation plan has managed to make French prices competitive, but it is yet to be seen whether this result will be paid for by a prolonged economic pause. In these circumstances the Government last week decided to loosen the screws: it abandoned the "boxing in" of credit, a measure which consisted of limiting to 10% the growth of bank loans above the level of the previous year. There was no risk of inflation in this decision, for the volume of credits was actually growing less rapidly than 10%. M. Giscard d'Estaing announced almost simultaneously that he would open a credit of 1 billion francs (£77 million) to public and private companies for capital investment.

In order to cover this credit, the government has decided to launch a loan of a corresponding amount next Autumn. Its lines are not yet known. But it will probably be a fifteen-year loan at about 6½%, i.e. the market rate. It will be the first time that the State has launched a loan connected to a series of private and public concerns in this way. The bourse, ailing for more than three years, reacted unenthusiastically to this announcement, as it generally does after the announcement of a State loan.

What is the extent of the slump on the bourse? The market had reached a high of 114.8 at the end of April 1962: it is now at 73.5. The decline, as a whole is over 25% in relation to the end of 1961, and almost 40% to the April 1962 peak. All shares, with the notable exception of oil have declined in 1965. Two basic reasons explain the relatively good performance of oil shares: the first is connected with the announcement of some discoveries of new deposits. The second is the hope of an oil agreement with Algeria, prospects of which have apparently greatly improved with the accession to power of Col. Boumedienne.

The extent of the slump can be measured by yet another figure: the volume of daily transactions on the Paris bourse is hardly more than Fr. 13 to 15 million, when two or three years ago, the "normal" volume stood between 30 and 40 million per day. Only professionals are operating on the bourse, since the public is obstinately staying away from the market. The reasons for the slump are obviously difficult to determine. But, it is significant that the market began its slide at almost the same moment when capital investments began to slow down in France. In all business circles, the investment crisis, which began at least a year before the launching of the stabilisation plan in September 1963 is being attributed to inadequate profit margins which stem most obviously from foreign competition. And in France, as in other big industrial countries with underdeveloped capital markets, the bulk of capital investment is financed from firms' own resources, which consist, of course, of retained profits.

After a three-year slump in prices, some French shares are quoted at prices which by no means fully reflect the underlying value of the firms. For example the Société BP has just called attention to the fact that market capitalisation of its shares is below the value of its investment portfolio let alone trading assets.

CRANLEIGH GROUP

Board v. Shareholders

SOME shareholders in this industrial holding company, led by a recently dismissed director of several of its subsidiaries, asked their board to answer a number of questions about the purchase and sale of subsidiaries over the past four years; these questions centred round the method of valuation of assets, goodwill and tax rebates which the Revenue is still querying and the ownership of shares in the companies bought. The directors replied, but the shareholders were not satisfied and have asked for a Board of Trade enquiry. Some 500 shareholders have now signed the Form of Requisition. The minimum number needed is 200.

This is an unhappy state of affairs. The group has an up and down record and could benefit from a period of consolidation and sound financial management untroubled by board disputes—there is now a split on the present board with one director dissenting from the board's reply to the shareholders. The two sides are now so thoroughly opposed to each other that any amicable settlement seems out of the question and it is now up to the Board of Trade to discover the truth.

The complaining shareholders refer to the drop from 20s. to less than 7s. in the value of the shares between 1960 and 1964, but the directors cannot in any way be responsible for the market's valuation of the shares—which are now down to 5s. 1½d., yielding 11.7%. They are responsible for the company's record, though, and wide awake shareholders could well have found fault with the big drop in their earnings in 1962 and the subsequent slow and incomplete recovery. But wide-awake shareholders tend to sell rather than complain, and they consequently lower the share price.

MOVEMENTS ON THE WORLD BOURSES

LONDON
A minor technical rally.

NEW YORK
Steady, despite some selling.

AUSTRALIA
Recovery on alleviation of budget fears.

	INDICES		Percentage change from:		
	June 30 †	July 7 †	A week ago	A month ago	A year ago
London	362·2	362·9	0·2	−5·5	−11·9
New York	868·0	870·8	+0·3	−3·5	+3·1
France	90·0	88·0	−2·2	−3·2	−6·5
Germany	90·8	91·8	+1·1	−5·1	−12·9
Holland	325·1	331·4	+1·9	−1·3	−3·1
Canada	160·1	156·8	−2·1	−4·9	+1·2
Australia	302·8	310·9	+2·7	−3·8	−17·4
Japan	1,060·1	1,037·5	−2·1	−6·5	−23·3

* For Bases and Stock Prices and Yields, see pages 201 and 202
† London, July 1st and 8th

Q how much do you know about ICFC?

A

1 It is geared to help lively, successful businesses to expand

2 It gives advice, without commitment, on company financial problems

3 It provides finance in all forms, not only loans

4 It does not [illegible] with management

5 Its Shareholders are the Banks; and it is independently managed

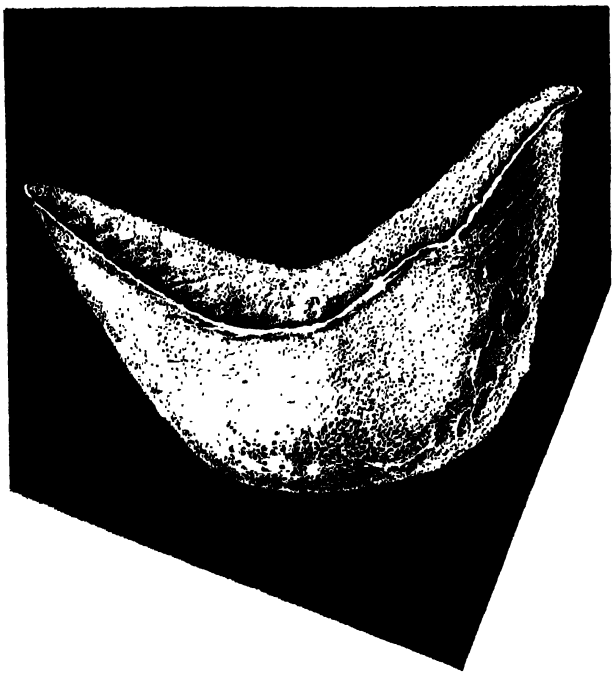
6 It has advanced over £100 million to industry

Even if you scored 6 points you should probably write for 'Capital for Business' to:

Industrial and Commercial Finance Corporation Limited

Piercy House, 7 Copthall Avenue, London, EC2. National 1010

and branches in industrial centres



Solid silver "Shoes" were used as a form of currency throughout China until early this century.
Times and Customs change.
Today, trade and finance with the East require the full facilities of great international banking organisations. The Hongkong Bank Group offers such a service and can provide, immediately, the latest information and expert advice on all aspects of trade and finance in these areas.

THE HONGKONG BANK GROUP

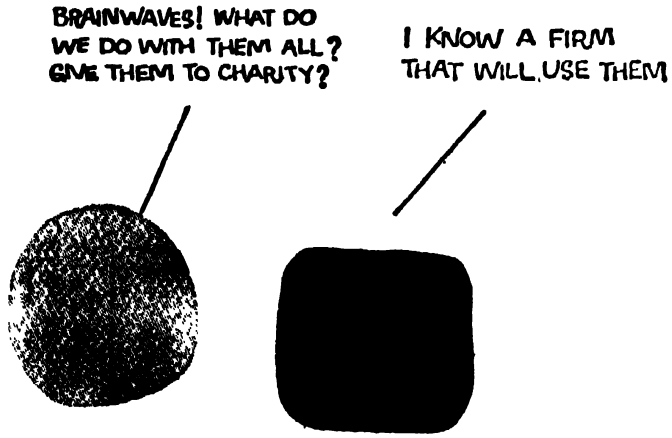
THE HONGKONG AND SHANGHAI BANKING CORPORATION
HEAD OFFICE: HONG KONG
LONDON OFFICE: 9 GRACECHURCH STREET EC3

THE HONGKONG AND SHANGHAI BANKING CORPORATION OF CALIFORNIA
180 SUTTER STREET SAN FRANCISCO
212 WEST SEVENTH STREET LOS ANGELES

MERCANTILE BANK LIMITED
HEAD OFFICE 15 GRACECHURCH STREET LONDON EC3
WEST END BRANCH, 123 PALL MALL LONDON SW1

THE BRITISH BANK OF THE MIDDLE EAST
HEAD OFFICE: 7 KING WILLIAM STREET LONDON EC4

THINKPIECE



Why Shell-Mex and B.P. always welcomes brainwaves

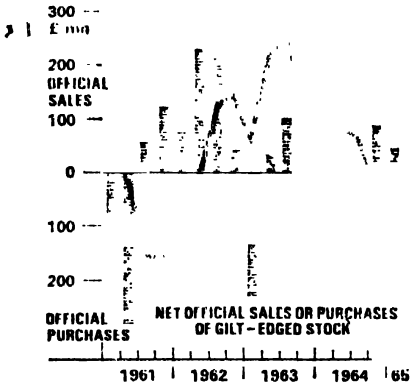
We live by brainwaves, recognise at least four orders of them.

There are brainwaves that create new products where none was before, and brainwaves that find a new use for existing products. A third order of brainwave improves marketing techniques, and the fourth is the brainwave that makes a current product a better product. Few companies are more richly endowed with brainwave-bearing facilities than Shell-Mex and B.P.—drawing, as it does, on the research centres of both the Shell and the BP companies. Everything we do is all the better for brainwaves. Better for the customer, which can only mean better for us.

SHELL-MEX AND B.P. LTD MARKETS PETROLEUM PRODUCTS OF BOTH BP AND SHELL IN THE U.K.

Funding on a Rising Market

This correlation of the prices of gilt-edged securities and their net sales by the government broker seems to confirm (at least until the latest six months) the traditional Bank of England view that funding is easiest on a rising market, even though gilt-edged yields are then falling. By an unfortunate combination of statistical error and blind spot, we managed to suggest the opposite in the chart "Funding on a Falling Market," published on page ix of our banking supplement on June 19. This appeared showing a straight transposition of "official purchases" with "official sales." We apologise to our readers and hang our heads in shame before Threadneedle Street.



BEECHAM GROUP

Toothpaste and Penicillin

THE increases in profit, turnover and dividend of the Beecham Group over the last two years, given in detail in the table, have been in the main due to two products, the group's broad-range penicillin, and sales in America of Brylcreem hairdressing and Maclean's toothpaste. Mr H. G. Lazell, the chairman, expects further growth from both in profits, but in turnover mainly from the ethical medicines. Although he grumbles at the Finance Bill he produces figures to show that even a 40% Corporation Tax will have only a marginal effect on retentions: the chief trouble is that Beecham was hoping to expand, particularly in Europe, by buying up wholesalers and small manufacturers, who have the retail contacts so vital to growth in any consumer product. It has net cash of nearly £7 million to do this, but may have to raise the money locally rather than export the capital direct from this country. In any case its American ventures have been financed almost entirely by local loans and retained profits.

Beecham's breakthrough with Brylcreem was a remarkable piece of marketing, using the hitherto neglected late-night feature films on television for saturation spot advertising. Maclean's toothpaste was marketed more ordinarily but no one gave it much of a chance against the giants already involved. But it succeeded; now total sales in the United States are over $20 million and there is some sort of profit to be seen. With two successes under its belt the Group is finding it much easier to promote its products, including a new deodorant with the vital retail chains, and is not yet big enough to be inflexible.

With the new range of antibiotics there is still a good deal of medical education to be done in this country—since the range can be used for a spread of uses that previously could be tackled only by a number of drugs: abroad there are still many virgin markets. Since the disposal of the sweet interests last year the food and drink side has been quiescent, but if the group cannot use its cash abroad, it could find some useful take-over victims at home. But in any case, the shares, near their low for the year at 19s. 9d. give a dividend yield of 5.1%, twice-covered as usual and very fair value for so tough a group.

Sales in £ million		Years to March 31		
		1963	1964	1965
Food, drink, etc.		22·4	23·5	23·4
Toiletry products		19·5	21·4	23·3
Pharmaceuticals		14·7	16·2	20·4
All products	Home	37·1	39·7	42·2
	Overseas	19·5	21·4	24·8
	Total	56·6	61·1	67·0
Trading profit	Home	5·3	6·9	7·9
	Overseas	2·7	2·8	4 5
	Total	8·0	9·7	12·4
Ordinary dividend (adjusted)		15%	18%	20%

GENERAL ELECTRIC

Four Stage Rocket

IN millions of pounds, 3.2, 4.1, 6.1, 11.75, 17.35: this geometrical progression is in fact the pre-tax profit record of the General Electric Company over the last five years. Nor is the record likely to be tarnished in the near future. Although turnover was up by £12 million to £170 million, over a fifth of the total, and more of the increase, was provided by domestic appliances—in which margins are still pretty grim. GEC is not only more heavily involved in these than the other electrical majors, but is also involved in the smaller appliances: although the chairman hopes for improvement this year, with new management recently installed, the effects of Hoover's ending of resale price maintenance have not yet—but could well soon—rumble round to affecting manufacturers' margins as well as those of retailers. But to counterbalance this, GEC is now happily strong in the vital and growing gas

BANK DIVIDENDS

So Far, So Good

ALL of the Big Five clearing banks raised their mid-year interim dividends, but at least two of them, Barclays and the Westminster, warned shareholders that the first half's growth in profits may not be matched in the second. In the first six months this year the average of advances outstanding at London's eleven clearing banks was 11% higher than in the 1964 period, and Bank rate averaged close to 7% against less than 5% a year earlier. But the level of outstanding advances has remained almost static since mid-March, although recent credit restraints have yet to make themselves fully felt, and the 5% pay increases awarded by the Midland and the National Provincial are further instances of rising costs.

In spite of the Stock Exchange's plea for more informative mid-year reports from companies in general, those of the banks remain traditionally opaque. Shareholders are vouchsafed a broad generalisation about the trend of earnings but anything beyond that must be divined by clairvoyance or taken on trust. The day seems as distant as ever when a British investor will actually know what he is buying, as his American counterpart has long known.

The market's reaction (or, more accurately, general lack of reaction) to the mid-year interims is shown in the accompanying table. This indicates that Barclays seems to be losing its place as the prime "growth" pace-setter to the Westminster, and that the least popular stock remains that of the National Provincial, whose advances, deposits and disclosed profits all rose far less last year than those of any of the other Big Five.

BANK STOCKS

	Price, July 1	Price, July 8	Int. div. 1965 %	Int. div. 1964 %	Net div. 1965	Yield* %
Barclays	59s. 3d.	56s. 6d.	6½	5½	9·6d	4·1
Lloyds	43s. 9d.	42s. 3d.	5	4½	7·4d	4 4
Martins	17s. 9d.	17s. 6d.	7½	7	2·75d	4·3
Midland	52s. 3d.	52s. 6d.	6½	6	9·6d	4·6
National Provincial	68s. 3d.	65s. 3d.	8	7½	11·8d	4·9
Westminster 'B'	57s. 3d.	58s. 3d.	6⅔	5½	9·6d	4·1

* At current prices on 1964 dividends.

appliance market after buying Cannon Holdings last year.

The other major trouble-spot was the heavy electrical. This side has now been sold to C. A. Parsons for shares and cash, although GEC retains its valuable transformer and switch-gear interests. So, uniquely among any major electrical company over the last five years, GEC looks to have some cash to spare within the next year. Not that the market has fully appreciated the results: the shares are nearly at their low for the year at 38s. 9d., giving 4.4% on the dividend, but with a cover of 2.7—and an unequalled record. Investors who switched over the last couple of years from Associated Electrical Industries to GEC may well now think of switching back if they think that AEI's recovery story, which started a couple of years later, will be as sensational in its later stages as GEC's. It could be: AEI seems already to be in a better position than GEC over electrical appliances—but still has a large and dubious heavy side to deal with.

NEWALL MACHINE TOOL

Just One Request

UNLIKE the majority of chairmen of engineering companies reporting recently, Mr Player, of Newall Machine Tool, complains neither about the Finance Bill nor about the shortage of skilled labour. With a dividend covered three times even after a 2½% increase to 15% the Budget is not in fact a worry; as for skilled labour, "I've never heard of a works manager who wasn't short of skilled men," says Mr Player. With exports representing over 40% of production and a decent record—profits after tax have more than doubled in the last five years to £171,000 for the year to March 31, 1965, the chairman's hopes from the government cannot be dismissed as just another industrial gripe. What he wants is the protection his foreign competitors get from their governments. That orders over which the government has direct or indirect control should lay down specifications based on British rather than foreign machine tools, with the promise that if a British machine of a certain specification is made it will be ordered. A kind of research and development contract in fact, placed indirectly through Ordnance factories—and aircraft companies.

Whether he gets help or not, and however much the machine tool industry is reorganised a company like Newall, with specialist equipment (jig borers, grinding machines and optical inspection equipment) has no special reason to join up with larger units. Selling its machines is such a specialised business that it finds agents—or other manufacturers—inadequate: sensibly enough one of its first independent sales offices situated in Zurich, covers Italy and Germany as well as Switzerland.

The price of Newall's shares is a good example of how good companies are lumped in with bad in weak market conditions: at 7s. they are 1s. 3d. below their high for the year, and scarcely higher than they were during a period of stagnant profits in 1962-63. The yield of 4.5% is below the average for machine tools, but the excellent cover and the company's specialisation makes the shares interesting enough

In Brief . . .

Exchange Telegraph

Last week we inadvertently gave the dividend yield on Exchange Telegraph as 2.3%. As a result of the 25% dividend this should have read 3.8%, at a price of 32s. 3d. We apologise for any inconvenience that may have been caused.

BUSINESS INTERNATIONAL

FRENCH FARMERS AND EEC

Being European Pays

Paris

WHATEVER President de Gaulle's political motives, the rupture in Brussels has left French farmers convinced that their economic interests have been sacrificed to the Gaullist concept of a "Europe of the fatherlands." But the government can easily argue that it was acting with the farmers' best interests at heart, since it was fighting for financial regulations that are highly favourable to French farmers. It has taken its first steps to mollify them by announcing that guaranteed grain prices, and the quantity covered by the guarantee, are both to be increased next year by the amount planned under Common Market policy. This, of course, leaves the future in doubt, since the government will certainly be loth to go on increasing farm prices right up to the planned Community level if no offsetting financing from the European Agricultural Fund is to be had.

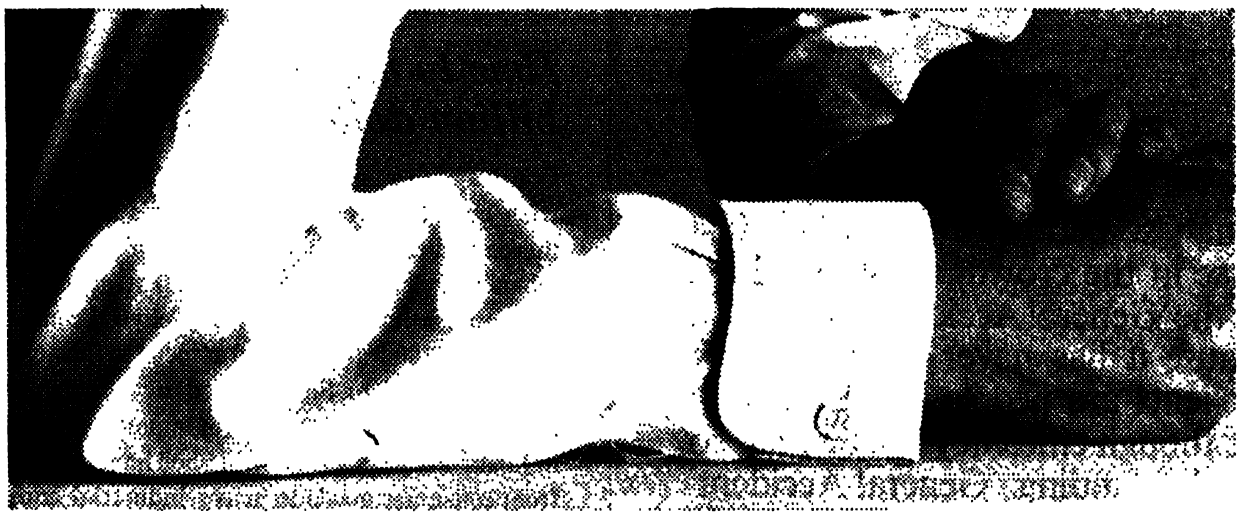
The other EEC countries had never been entirely happy about the principle underlying the arrangements for farm financing—that members should contribute in proportion to their imports of food from countries outside the Six. For the financial year 1962-63, the system's first year in operation, the Six had agreed to share the cost of agricultural support in accordance with a "key" under which France, Germany and Italy each would pay in 28 per cent of the total. But France received 86 per cent of what was paid out, while Germany got 6.3 per cent and Italy only 3.2 per cent.

Who will buy it all now?

What is worrying the Italians and the Germans is that their contributions will grow proportionately larger each year, depending on their net imports from third countries. The system is meant to encourage them to shop inside the Common

Dear Harry Rael-Brook: It's time you met John Evans.

Mr. Rael-Brook: see if you can spot who made this shirt. (Clue: it wasn't you).



John's a Sheffield man. Last week his wife bought him two new shirts from your biggest competitor.

About 12,000,000 shirts are bought in Granadaland every year. And you're doing pretty well. (After all, there are six million men living up there). But there's plenty of scope to do better. So think this over.

Five nights a week, most Northerners watch Granada Television. Advertisements and all.

Interested?

GRANADA TELEVISION

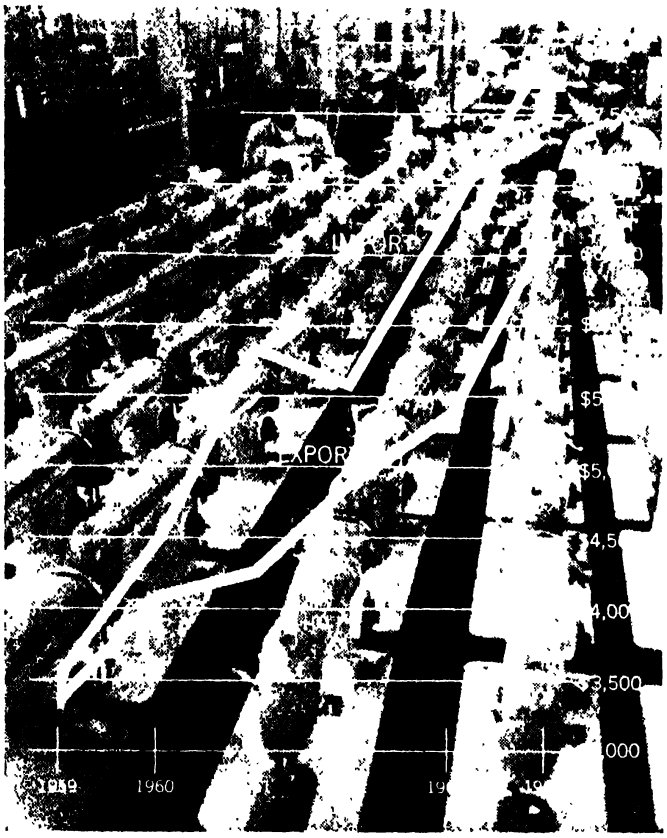
A man sometimes feels he's just a face in the crowd, a cold statistic. But the 'General Accident' has grown because it has never forgotten that its clients are people, not numbers; that though efficiency is essential, so is understanding. 'General Accident' insurance service provides both.

people like to insure with

General Accident

GENERAL ACCIDENT FIRE & LIFE ASSURANCE CORPORATION LTD

GENERAL BUILDINGS · PERTH · SCOTLAND
GENERAL BUILDINGS · ALDWYCH · LONDON WC2



Japan's imports-exports (in millions of U.S.$)

How to buy and sell in the billion dollar Japanese market

One way is to open your own office in Tokyo staffed with over 3,000 experts on Japan's industries, commerce and foreign trade. In effect this is what you get when you deal with Japan's largest general trading company, Mitsubishi Shoji of Tokyo. From its head office with 100 branches and associates throughout the world, Mitsubishi Shoji helped over 7,000 overseas firms do $1,800,000,000 worth of import-export business in Japan last year. Mitsubishi Shoji handles everything from consumer goods to heavy industrial equipment. Long association with other Mitsubishi enterprises (40 of Japan's largest corporations) gives you a priceless advantage when either buying or selling in the Japanese market. Put Mitsubishi Shoji's proven ability to work for your firm. For complete information write to:

General Importers & Exporters

MITSUBISHI SHOJI KAISHA, LTD.

Head Office: Marunouchi, Tokyo, Japan
London Branch: Bow Bells House, Bread Street, London, E.C.4
Overseas Trade Network: Düsseldorf, Hamburg, Paris, Milano, Madrid and 55 other major cities around the world

Market, but in 1963-64 Italy was obliged by a big upsurge in consumer demand for higher quality foods to import far more meat, milk products and cereals from outside the Six than was originally expected. Its share of the financial burden rose as a result to 28.6 per cent, while France's fell to 25.6 per cent. Although Italy did get agreement that its contribution should not rise above a certain ceiling, it is still worried. In 1963-64, for example, it was responsible for 34.1 per cent of net food imports into the Six.

At the receiving end of the European Agricultural Fund, France would not always get 86 per cent of the payout, but it would remain the biggest beneficiary. The extraordinary 86 per cent figure is explained by the fact that France had to export large quantities of cereals at low prices to world markets in 1962-63. But there is little hope that France's cereal imports will diminish since the agreed common market price would be higher than present French prices. The net benefit to France from the fund might actually grow as a progressively greater share of the financing would be taken on by the Community as a whole and France's budget contribution diminished to zero. Of course, the other members would begin to get something back, too—Italy in support of its fruit and vegetables once the new Community regulation comes into force, as well as for structural improvement, and the Netherlands for its milk and milk products. France had made fairly generous concessions to Italian demands before the talks broke down. But clearly France has particular interest in maintaining the pure Community spirit in farm financing.

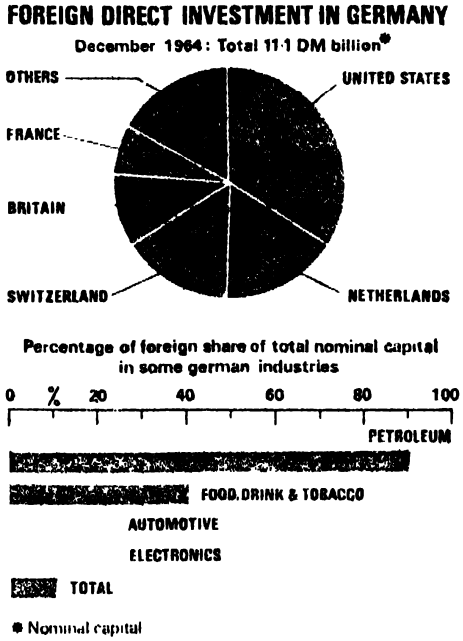
FOREIGN INVESTMENT

Where it Hurts

SOME important generalisations about the similarities and differences between European investments in the United States and American investments in Europe can be made with greater assurance now that the German Bundesbank has published a survey that complements last year's investigation of investment flows by the United States Department of Commerce.

First, investments in both directions tend to be heavily concentrated among a few firms in a handful of key industries. Of the DM 11.1 billion nominal capital owned by foreigners in German enterprises at the end of 1964, all of DM 6.3 billion (£570 million) was in petroleum, automotive manufacture, chemicals, and food, drink and tobacco. And a very great part of this represented the holdings of under 100 international concerns.

Second, and less widely appreciated, is that European investment in the United States has been outstripping American investment in Europe, at least until relatively recently: in the eight years to 1963 long-term European investments in the United States rose by some $7 billion to $16.2 billion while American investment in



Europe rose only by $5 billion to $10.3 billion.

However, one major difference between the nature of these investments is that two-thirds of American assets in Europe are directly owned and controlled, and only one-third consist of portfolio investments, while just the reverse holds true for European investments in the United States.

It is the dominating role that this pattern gives foreign international corporations, and particularly American corporations, in a few key industries that so much troubles the Europeans. This was, perhaps, one of the many considerations that prompted the recent Bundesbank study. It shows that the proportion of total outstanding nominal capital owned by foreigners in key German industries at the end of last year was 90 per cent in petroleum; 40 per cent in food, drink and tobacco; and 23 per cent each in automotive manufacture and the electronics industry.

This spectre of foreign domination is not what worries Americans in the United States, where the pattern of European investment is more diffuse and more easily absorbed in a far larger industrial base. It is the balance of payments deficit on the total flow of long-term investment that troubles the American authorities, and it seems logical to give priority to curbs on investment flows to the developed economies of Europe, even though this is the one area with which the United States actually enjoys a surplus on investment account.

LATIN AMERICA

Taking the Air

WHEN a special agency is asked to carry out a survey on some blindingly obvious situation, it is probably unfair to complain that the result gets us no further than we were before. As a United Nations agency, the International Civil Aviation Organisation is usually effective; but when six Latin American countries and the United States asked it to survey air freighting inside the South American continent, whatever did they expect? What they have been told is what anyone who has ever been in the region can see for himself at a glance—that surface communications are generally so dreadful (and dangerous in some regions, although the report is tactfully silent on this) that this has given an abnormal stimulus to the development of air communications and the transport of goods as well as passengers by air. In Latin America, more than a quarter of the airlines' payload is freight, as against less than a fifth for world aviation as a whole. It could well be higher if the aircraft were better, and the aircraft might be better if the airports were bigger—one can tell all that from a quick look around, too.

Most of the 950 aircraft owned by 291 airlines are old and small and expensive; the report scotches the sentimental idea that old, slow aircraft are somehow miraculously cheaper to fly than new, fast ones. So costs among Latin American airlines are 15 per cent above world levels, freight charges are 10 per cent above world averages (themselves not cheap). Since the airlines depend for a disproportionately high part of their revenue on what they get for freight, any improvement must wait on better aircraft—and ICAO is not ambitious: old Douglas DC4s and DC6s, old Lockheed Constellations are its idea of good, new aircraft for the Latin American internal services. And it faces frankly the impossibility of getting anything as big as this into the majority of Latin American airports. In this case, improvements must start on the ground, and this could be extended to take in air navigation equipment: a disconcerting number of aircraft in the region fail to detect the mountain directly in their path.

Can one expect any better? The report shows that 140,000 kilometres of rail track across the entire Latin American continent carried less than half the tonnage of freight that shuttled along 71,000 kilometres of rail in Canada, itself not a particularly busy system. But is the role of the air being exaggerated? Those miles of rail carry 47,000 million metric ton-kilometres of goods, the ships load and unload another 400 million tons; the air carries only 212 million ton-kilometres. The most serious competition for that little comes from sea traffic and those few river systems that exist. And these can cope with the physically awkward composition of Latin American trade while the air cannot. Imports are largely of high value manufactures; fine, the airlines can handle them. But exports are mainly agricultural, and the air is not geared, yet, to carrying low-value bulk cargo. Charging different freight rates in different directions in an attempt to prevent the aircraft flying out empty cannot really get round this.

INTERNATIONAL LIQUIDITY

At Last, It's Urgent

THE official debate on international liquidity seems at last to be accelerating. The United States Administration has formed an advisory committee in Washington which should be able to report before the end of the year, and the Joint Congressional Economic Sub-Committee on International Exchange and Payments is to hold public hearings at the end of this month to see what the American negotiating position should be. When Mr Callaghan was in Washington last week he told the Americans that the sooner they could come to the table and negotiate, the more Britain would like it. This was a change from the leisurely attitude he expressed after his meeting earlier with M. Giscard d'Estaing, the French finance minister, in London. The change of mind was also apparent when he told the House of Commons after getting back from Washington that both governments are now proceeding with a sense of urgency. Perhaps he calculates that Britain is the country that stands to lose most from a prolonged stalemate while the Americans get their balance of payments into surplus and keep it there for twelve months (see page 123).

The inclusion of Mr Bernstein on the advisory committee does not necessarily mean that the Administration is thinking its way towards adopting the Bernstein plan or its French variant, the collective reserve unit (Cru). But one of the most hopeful signs in the past few weeks has been that both British and American officials have found on direct contact with the French that they were much more flexible than had been expected. American experts returning from Paris speak of "good and interesting discussions" with top French officials. And M. Giscard d'Estaing went to some lengths after his meeting with Mr Callaghan in June to say that the Anglo-American insistence on linking reform with the International Monetary Fund did not raise serious problems. "If one side suggests action by the Group of Ten, and the other side wants things done by a restricted group inside the IMF, which boils down to the Group of Ten, the difference is not very substantial."

The Chancellor is still expressing no interest, publicly at least, in the idea of taking the officially-held sterling balances in London off Britain's shoulders by putting them into the IMF and giving the holders a super-gold tranche position, or by some other such device. The question has been under frequent discussion among central bankers and finance ministry officials this year, both in the Group of Ten and in its Ossola sub-committee, whose report is now circulating among governments. One Continental banker complained earlier this year that the discussion was impeded by the British unwillingness to admit that the outstanding sterling balances were really a problem. Mr Callaghan apparently tends to the view that while confidence in the British economy is adequate, the question is irrelevant. The trouble is that every country worries its creditors from time to time; and at times like the present the sterling balances certainly do not help Britain.

THE VATICAN'S RICHES

L'Osservatore Calms the Waters

Rome

THE Vatican newspaper *L'Osservatore Romano* has now stepped into the press discussion of the Vatican's wealth and tax liabilities to point out how large are the Catholic church's financial needs, and that it uses its resources not to increase its own wealth but for charity and social assistance. Church-state relations arouse strong emotions in Italy, and the newspaper also felt it necessary to reject the idea that the Vatican might use its big portfolio of Italian shares to disrupt the stock market should its tax negotiations with the Italian government go badly.

The controversy has still not moved the Vatican to reveal any figures. The Italian finance minister, Signor Roberto Tremelloni, has announced that dividends paid to the Holy See on Italian shares in 1963 totalled £2 million. This looks small in relation to the best available estimate of the Vatican's Italian portfolio, which puts it at about £200 million. But the minister's statement did not make it clear whether the figure included dividends on shares held indirectly for the Vatican through outside organisations. And the figure appears to cover only the first nine months of 1963. It may well be that the Vatican's dividend receipts were bunched in the last three months of that year, after the Vatican had finally got an assurance from the government that it would be exempt from Italy's new withholding tax.

KEY INDICATORS

WORLD COMMODITY PRICES

Further sizeable declines occurred in **tin** and **copper** prices as improved production prospects and qualms about the world economy brought sellers into the market. **Sisal** lost £3 a ton in a dull week. **Cocoa** is still without hope and declined a further 5s a cwt. Estimates of the effects of Australian drought on the next two **wool** clips raised prices in Bradford while **coffee** gained a further 12s. 3d. a cwt on news of the effect of drought on Uganda Robustas, with American buying and rumblings of grower discontent in Brazil in the background.

The all-items indicator FELL 2·1 this week (to July 7th).

	June 30	July 7	Percentage change on * One month	Twelve month ago
ALL ITEMS	103 8	101 7	− 3 8	− 4 9
Food	99 1	97 5	− 1 4	− 11 1
Fibres	98 6	98 6	+ 0 1	− 4 6
Metals	203 5	188 3	− 18 3	+ 18 9

The Economist Commodity Price Indicator includes nineteen commodities weighted according to their relative shares of world trade in 1958.
** Changes relate to this week's figures, but these, except for the metal groups, are provisional because quotations for tea and wool are not yet available beyond last week.*

AUSTRALIA

A Round to the Expansionists

Canberra

FEARS of swingeing increases in taxation in the Australian budget, due on August 17th, have receded markedly with the publication of the Commonwealth Treasury's annual economic survey and with the announcement that the Arbitration Commission has awarded an unexpectedly low 5s. increase in wages throughout the country to cover the next twelve months. The economic survey has surprised most observers by its concession that there is likely to be slower growth in 1965-66 in spending on dwellings and business vehicles and in personal consumption. "While the forces tending to boost demand are currently strong and seem likely to remain that way," the Treasury said, "there could be at least some tendencies at work next year to abate these pressures." Since the Treasury has been building up massive psychological pressure in the community for big tax increases, partly to pay for the sharp rise of £A90 million (about one-third) in the level of defence spending in 1965-66, this is quite a concession, giving away an important bargaining point in the government's coming discussions on the budget, due to begin about July 15th.

The basic problem expounded in the Treasury survey is that Australia cannot expect imports to meet as large a part of demand in 1965-66 as they did during the past year. After growing in 1964-65 by about £A300 million, contributing to a £106 million trade deficit, they may not rise by more than £A50 million in 1965-66. But civilian employment is expected to rise by about 120,000 (thanks largely to a boom in immigrants from Britain), against a rise of 140,000 in 1964-65 and of 149,000 in 1963-64, so the rate of growth of gross national product should suffer little check. As GNP in real terms has risen by about 16 per cent between 1961-62 and 1964-65, the expectation of a further rise of a good four per cent is encouraging.

The Treasury shows no concern over balance of payments prospects, and goes to great pains to discredit any thought of import controls, import deposits schemes, import surcharges or the like, by bringing out of the hat a figure of £A1,000 million as the total of Australia's current reserves, of which £A700 million is first-line reserves and the rest is actual and prospective draw-

PIA—right on time 87.2% of the time

During 1964 PIA's punctuality record averaged 87.2%, which is among the highest in the industry—and PIA have seventy seven scheduled departures every day. A record like this doesn't just happen. It results from the high standards which this modern and vigorous airline sets itself in an industry of high standards. This explains why last year PIA—a consistently profitable airline—carried over 25.6% more passengers, and why seasoned travellers say PIA are great people to fly with.

UK EUROPE USSR AFRICA
MIDDLE EAST INDIA AFGHANISTAN PAKISTAN NEPAL CHINA

PAKISTAN INTERNATIONAL AIRLINES

GREAT PEOPLE TO FLY WITH

Who sails the seven seas 7000 times a day? Essomarine products. 7000 ships a year are fueled by Esso in 330 world ports–and that's just part of the story. Esso helped pioneer the special lubricants that permit diesel ship operators to use low-cost fuel without the penalty of extra maintenance. Fuel savings? 30% and more. In shipping and in every industry, there's a full range of Esso products to meet your petroleum needs–at the Esso sign.

Esso

ing rights on the International Monetary Fund. This makes the prospective fall of about £A200 million in the reserves between June, 1965 and June, 1966, look much less fearsome.

The Treasury's survey may still assume rather too much natural buoyancy of demand, particularly in the field of private fixed investment in plant and equipment. Business expectations have become markedly subdued in the last three months and the tight money situation is also bound to have its effect. And the Arbitration Commission's 5s. award has left the unions bitter. Some industrial strife may follow. However, with the labour shortage tending, apparently, to slacken, the scope for union action may be narrowed.

SWISS RETAIL TRADE

Help Yourself Helps

Basle

SWITZERLAND'S largest and most venerable retail sales concern, the Union of Swiss Consumer Cooperatives (USC), is within an ace of being overtaken by what is in Swiss terms a relative upstart, the 40-year-old Migros-Genossenschaftsbund. Chalking up an average rate of growth of around 20 per cent—double the USC average—during recent years, Migros had a turnover of Sw Fr 1.7 billion (£142 million) in 1964, against USC's Sw Fr 1.9 billion. Both organisations have branched out far beyond retail trade alone. But the really big difference between the two rivals—and the secret of Migros's meteoric ascent—is in the number and type of shops each maintains. The loosely organised USC has some 3,100 retail outlets, of which 300 are specialised shops, department stores, co-ops and self-service shops. The highly centralised Migros has 577 retail outlets, of which no less than 425 are self-service shops and department stores and another 144 are sales vans.

Rethinking has spilled over from retail trade to other fields as well. Migros and USC both also control shipping companies, travel bureaux, factories, banks and insurance companies. No sector in which Migros has thought pricing flabby has been left untouched. The company's most spectacular invasions of new sectors were the taxi war, the insurance war, the petrol war and the advance beyond Switzerland's borders with Migros-Turk. Out of the taxi war in 1951 emerged Minitax AG. This is now Zurich's biggest taxi company and has 47 independent cab-owners associated with it. Except during the Suez crisis, petrol and fuel oil prices in Switzerland have remained at a European low since 1954 when Migrol sharpened retail competition; this Migros subsidiary may today have 5 to 10 per cent of business in the Swiss oil market. But even for Migros, there have been successes whose glitter has since tarnished. And even some failures. The refinery at Emden in North Germany was one. Secura AG, set up in the 1959 insurance war, is still showing a loss—and car insurance premiums have rebounded. Migros-Türk, set up 10 years ago, has not been an outstanding success either.

Losses for Bosses

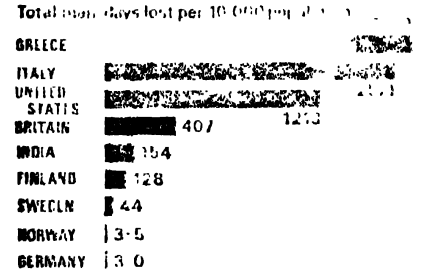
Last year the United States again topped the international strike league in terms of total number of days lost. Industrial disputes in the mining, manufacturing, construction and transport industries cost well over 23 million working days.

Italy came second with 13 million days. Britain, though considerably lower down on the scale with a loss of over 2 million days, was far ahead of countries like Germany, Sweden and Norway.

When related to population figures however, the United States falls back to third place, as the chart shows.

Industrial disputes

Total man days lost per 10,000 population



Source: [illegible]

BUSINESS □ BRITAIN

COMPUTERS

Vive l'Alliance?

AT a dinner held in London by the UK Council for European Movement on Monday night, Mr Marples let out that talks are under way for a link up between the French computer manufacturer, CITEC and a British company, for the research and development over the next four years of a new computer, with apparently, both governments splitting costs. The two candidates, said Mr Marples, are International Computers and Tabulators and English Electric; some people think jointly, but it is more likely ICT will go it alone.

ICT immediately shut up like a clam, while cautiously admitting that talks are being held. But CITEC—a holding company created last November and owned jointly by Compagnie Générale d'Electricité and Compagnie Générale de Telegraphie Sans Fil (CSF) and reported to be a "mother hen" figure given the task of gathering under its wing all that is left of the French computer industry after American General Electric had taken over Bull—is more chatty. The computer CITEC is thinking of is to be a super-scientific one for government use. This is the kind of computer that can break an industry's heart; hard to build, harder still to sell, perhaps, a total of six or eight.

The French appear to be regretting the loss of Machines Bull to American General Electric and have started to look around for alternative non-Yankee partners in Europe. Out of this has come the tie up between the Compagnie Européene d'Automatisme, British General Electric and Scientific Data Systems of America. But the computers to be marketed under this agreement are all American SDS ones—so the French government is still hopefully casting around.

ICT would gain immensely from such an agreement. It may be the only serious competitor for the Americans in Europe, but unless it gets its foot firmly in the door by finding itself a European partner, ICT is going to find it increasingly difficult to compete. Already most of the computer companies of any importance have been taken over; IBM activities apart, last year alone both Machines Bull in France and Olivetti in Italy were signed up by American GE. Both Honeywell and Univac are already established on the continent. With a good European partner ICT still stands a fighting chance, its peripheral equipment is as good and better than most and it is the speed and efficiency of the software that is at present tipping the scales—and providing the profits. At present the discussions are limited to scientific computers only and even these are not firm, although it will be astonishing if they break down. And co-operation will presumably not stop there.

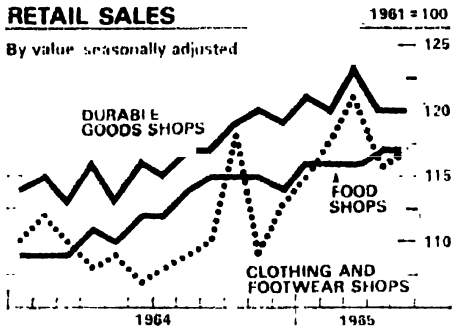
CONSUMER SPENDING

Cars under the Squeeze

PEOPLE—as distinct from businesses—spend around £800 million a year on buying cars and motor cycles. A lot of

money, yet no more than 4 per cent of all consumer spending. This sum includes not only the value of new cars but dealers' margins on sales of used models. Car-buying is still a relatively small element in expenditure—but a very volatile one. It now seems on the decline.

New registrations of cars in May were the lowest for two years, if seasonal variations are discounted. Numbers slumped for the second month running, a third below the March figure. Taking in this pre-budget peak the March-May registrations were still left short of last year's.



In the shops, sales seem to be marking time—at, don't let's forget, a pretty high level. On the Board of Trade's seasonally adjusted reckoning, turnover in May was the same as it had been in each of the three previous months, while the volume of shopping was unchanged from April and below the level in the first three months of the year. Only the Board of Trade could wistfully suggest that "the slow upward trend of the volume of sales was only just continuing." Upward trend, our hat. To any other observer, the best interpretation of the trend would be "flat." Comparatively poor weather may have delayed some clothing sales but would hardly have accounted for the quietness in durables. Shoppers, it would seem, are doing no more than keeping abreast of price increases.

Nevertheless, the nation's hire purchase debt goes on rising. An extra £21 million in May brought the total to £1,178 million or £22 a head of the population. Debt was then rising at much the same rate as a year ago, a little less fast than in the first quarter of the year. Last month, it would almost certainly have gone up further. Hire-purchase sales of new cars were then slightly above last year, although business in used cars fell back. These statistics reflect some diversion of the better class of business in the newer and more expensive models from the banks to the finance houses as personal overdrafts came under increasing pressure. But they are also a reminder that demand is still very high, even if its growth is faltering.

BUILDING SOCIETIES

Squeeze Over?

A DETAILED statement with figures from Lord Cohen of the Alliance, and a murmuring chorus sans figures from other building societies, indicate that the building societies' financial problem is over, for the time being. The Alliance's figures show an average net weekly inflow of £102,000 in the fortnight to May 29th, rising to £236,000 in the next fortnight in the middle of which Bank rate was lowered to 6 per cent, and then leaping to £667,000 in the two weeks to June 26th. No doubt the change of deposit rate, announced on June 12th, attracted considerable publicity, but that did not take effect until July 1st. The change round in mid-June therefore seems mainly attributable to two other important factors. The cut in Bank rate was one of these, partly through its effect upon local authority rates and partly through the consequent lowering of the bank deposit rate. As usual the immediate effect upon the banks and local authorities will be small. It will be some weeks before the societies are able to put the money out on mortgage—a lag of some three months is normal—and in the meantime the money will go back to the banks and the local authority market.

The other factor is the stock market. From about the middle of May prices have been falling, indicating a steady pressure of private selling of ordinary shares. Building societies believe a fair part of the proceeds of these sales is going to them; and rumours from some unit trusts that the net inflow of funds into the movement has now dwindled to about nothing, seem to confirm that a collapse of confidence in the future of the equity market among private investors and small private trusts did occur in June. If the Alliance's experience is typical, mortgage quotas may now show a dramatic improvement and the mortgage squeeze may be off for the time being. How much of the short-lived squeeze was really to blame for any slowing down in this year's house building programme is still doubtful. The Ministry of Housing, for its part, believes the answer was: none at all.

BRITISH RAIL

The Price of Liner Trains?

THE British Rail Board looks like getting liner trains moving by the end of the year—with open terminals for road hauliers' lorries. One big Scottish road haulier, Tartan Arrow, has signed an agreement to use liner trains for its express north-south traffic. But if the signals being made by the unions are to be read correctly, this apparent victory after 15 months' argy-bargy has been bought by slowing down the pace of redundancy. Since 1960, over 22 per cent of British Rail employees have gone. And last year, liner train discussions with the unions included a request from the Board to move the guard from the back of his train to the cab at the back of the engine. This seemingly simple move, which does

KEY INDICATORS

THE BRITISH ECONOMY

RETAIL TRADE
Steadied, but still at high level.

HIRE PURCHASE
Rising still in May.

CAR REGISTRATIONS
Down in May.

	Month	Index 1958 = 100	Percentage change from: Previous month	Three months ago	Twelve months ago
Industrial production	April	131	+1	−1½	+3
employment	April	103·9	−0·3	−0·4	+0·4
productivity	April	125·1	+1	−1	+2½
Export trade †	May	126	−2	−4	−2½
Retail trade *	May	122	Nil	−1	+3
Unemployment	June	76·6	+1·6	+0·2	−13·7
Wage rates (weekly)	April	127·0	+0·2	+0·7	+4·1
Retail prices	May	121·2	+0·4	+2·5	+5·0
Export prices	April	109	Nil	+1	+3

** Seasonally adjusted. Indicators of export and retail trade reflect movements in volume terms, i.e., in value at constant prices. Unemployment indicators refer to numbers [illegible] employed, excluding school-leavers. Total unemployment fell in June running at an annual rate of 1·4 per cent. † Provisional.*

away with the now obsolete guard's van at the end of freight trains, is the thin end towards removing the guards altogether, and the unions know it. More important still, it throws open the whole question of which of the two main unions that now operate the trains will provide the one man who will, single-handed, run them in future. It seems that the Board is agreeing to keep the increasingly useless guard's van at the end of the freight trains as the price of union co-operation on the liner trains. This is not a bad bargain, because engine development has not yet reached the point where one-man trains are crucial to the efficient operation of British Rail.

CHEMICALS

BHC Opts In

After the announcements a year and a half ago that both Imperial Chemical Industries and Shell Chemicals were building themselves huge new ethylene crackers, it was only a matter of time before the other big ethylene producer, British Hydrocarbon Chemicals, followed suit. It had to, by the compulsive logic of the chemical industry, or admit that it was withdrawing from chemical manufacture. This week, BHC—which is jointly owned by British Petroleum and Distillers—tumbled back into the competitive *melée* with the announcement of a quarter-million tons a year cracker, the biggest in the country. The cracker will be built at Grangemouth at a cost (with its attachments) of £8 million and will be on stream by mid-1967. Just to show that it is being serious, BHC announced last week that it is doubling its capacity for the plastic polyethylene at a cost of £2½ million, and Border Chemicals (the company formed by Distillers and BP with ICI to make the synthetic fibre raw material, acrylonitrile) said that it would be putting up a £3 million plant to make acrylates, used in paints.

The ethylene plant is the foundation of the whole petrochemical structure. Cracking naphtha with steam at high temperatures produces a mixture of gases and other products (including, as ICI is showing in the North, petrol) which can be varied to favour what is most wanted, usually but never exclusively ethylene. The profitability of the operation therefore depends not only on how cheaply it can be carried out but how successfully outlets are found for the whole range of products. The largest outlet for ethylene is in plastics; Distillers' other chemical interests should help to shift this extra production. The Border Chemicals acrylates project will need propylene (one of the least saleable by-products) as a raw material, so adding to the demand that will exist when the acrylonitrile plant is built. But there will probably be some to spare.

And what does BHC then do with its existing plants? The 250,000 tons being planned comes on top of 200,000 tons from smaller units, all working profitably and well. But the economies of scale that are the reason for putting up the new plant at all only become apparent if it runs at full stretch. So BHC will probably do what ICI is planning to do at Wilton: dismantle the smallest of the present plants and mothball the still-economic but, by modern standards, small crackers against the day when rising demand again points to further investment. But the biggest problem of all must have come when Distillers and BP were counting the cost of staying in the game, particularly after the chemical industry's recession four years ago—which rocked a number of petroleum companies with chemical interests too.

CEMENT PRICES

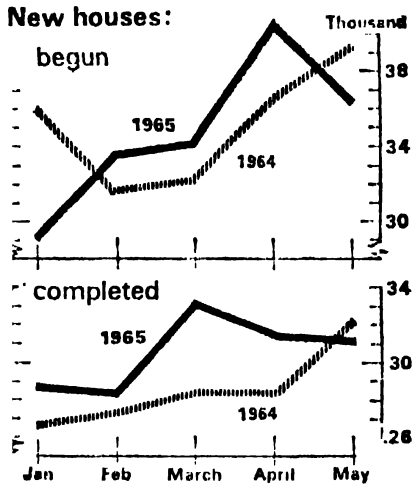
Up for the Right Reasons?

So Mr Brown is letting the cement makers put up their prices by 6s. 6d. a ton. They have satisfied him with their assurance that more than half the increase was intended as a temporary measure to cover the cost of imports, and that the "level of profitability of home production will not exceed the level which was thought reasonable by the Restrictive Practices Court." Mr Brown however seems to have neglected the opportunity this price issue offered him of putting pressure on the cement makers to meet increased demand from home production; his inquiry seems to have been related almost entirely to seeing that their profits remain reasonable. The present shortage has been a nuisance even if it cannot be called a national crisis. But the cement industry seems to have been allowed to get away with this without as much pressure as for example Mr Pannell put on the brick industry. A price increase to cover import costs now could have been justified; but only on the definite condition that it was a once and for all occurrence and that the cement industry would be able to cope with fluctuations in demand by extra capacity and being prepared to work this at a lower average rate of capacity than it does now. Some increase would then probably have had to be permanent to cover the cost of additional extensions to be worked at less than maximum capacity, but the assurance of certain supplies would have been worth the price. These are worth paying for because the better part of the building industry, as at present organised, relies on daily cement deliveries to the site.

British Road Services has also been let off appearing before the National Board for Prices and Incomes. But it has not got off scot free as has the cement industry; it has agreed to cut the proposed increases on its parcel service so that revenue will now go up by only 4 instead of 6 per cent. The rationalisation of parcels and small movement transport between BRS, British Rail and the Post Office may well necessitate some sharp increases in certain rates, to relate them better to costs. It has to be remembered however that this is a trade almost wholly in the hands of three big businesses—which almost certainly work in collusion. If these were privately owned, it would be a toss-up for the Board of Trade—whether to refer them to the Monopolies Commission or set the Restrictive Practices Court on them.

400,000 in 1965?

New houses started in February, March and April were considerably above 1964 levels despite the credit squeeze, but fell in May.
With funds flowing back to the building societies, even the fall in May (and perhaps June?) should be only temporary.



DOCK LABOUR

What Price Sundays?

There has been an unofficial ban on weekend working in London Docks since last August; it contributed to chaos in the port last summer. No major congestion has occurred so far this summer. Some men have been working weekends clearing wharves and sheds—though not in the Royal Group or at Tilbury where Mr Jack Dash holds sway. But two recent straws may show whether the Port of London will go on to a permanent five-day week in future. A group of men in the smaller of the two dockers' unions is making it clear that they want to work weekends, and it remains to be seen whether others will follow. It is equally clear that dockers' wives have got used to seeing their husbands on Sundays. This suggests that while most men may not like working at weekends—and who does?—there may be enough who do to keep the port ticking over if they are sufficiently paid for doing it.

But any step towards this can only come as part of whatever labour reorganisation arises from the Devlin Report—when that ever sees light of day. In the meantime, dockers have the port employers running in both directions. If the port can function throughout the summer without a major increase in weekend work, it will show that a five-day week is possible and the men were right to stop sweating at weekends. But if the port comes to a grinding stop—without strikes—the men will have an even heavier bargaining weapon with which to face the employers after Devlin. The price that port employers are going to have to pay for the rule book is getting higher with each passing month.

MUSICAL INSTRUMENTS

Export Beat

BEATLEMANIA, dying or not, has helped Jennings Musical Industries (one of he Royston Group of companies) to another substantial order for electronic musical equipment from the American Thomas Organ Company; this brings the twelve months' total to between $5 and $10 million. Jennings supplies the Beatles, and groups like the Shadows and the Rolling Stones, with amplification equipment. It has become the biggest electronic musical instrument maker in Britain and is now netting the biggest export orders.

The future could be tougher. The downturn in home sales this year after twenty-four glorious months has been offset, for the time being, by the rise in exports, shared by several other small specialists. But in Britain, massive amplification equipment and echo units are giving way a bit to "folk" music unamplified. This has hit the amplifier, but helped the guitar makers; the Beatles use American guitars and last year imports were considerable. Now they have dwindled right away and groups buy British. Traditional instruments—for brass bands and orchestras—have also had a lift: music in schools is getting popular.

One small company which understands the fickleness of the business reckons to spend as much as 20 per cent of its wages bill on research and development of new sounds. Jennings, too, is diversifying as an additional security into hi-fi equipment and telecommunications. A knowledge of electronics coupled with sound and vibration is a good basis for stepping out into other fields. And appears, ironically, to be an ideal British export.

COLOUR MAGAZINES

Controlled Millions

A NEW 40 page, gravure colour magazine printed by Eric Bemrose was announced this week—not the reported *Daily Mail-Daily Express* venture, but a "controlled circulation" magazine, *South East Living*, with a promised circulation of 4½ million. This looks a bit odd; such magazines are usually free as this one is, but are generally regarded as a useful way for advertisers to reach small and clearly defined groups, and not distributed on a mass scale. As its name implies, *South East Living* is to be distributed gratis to all householders in what are described as "the essential marketing areas" in South East England, starting in the middle of November. Editor is Mr Donald Wayne, a former editor of the men's magazine *Parade*, who was involved for some time in plans for a kind of colour magazine that could be slipped into local weekly papers. This and similar ideas put forward by others, have both so far failed to get off the ground, because newsagents want 2d. a copy for distributing the colour supplement as against the 1d. from publishers and 1d. from customers that they now get.

Hovercraft v. Hydrofoils

Hovercraft are at last off the drawing board in a swirl of spray. Services are operating on the Clyde and in Norway, and the recent orders for two 160-ton giants to carry 250 passengers and 30 cars across the Channel in two years time bring the air cushion system out of the prototype and into the real hardware stage. But it has to compete with the already successful but far less publicised hydrofoils, travelling above the waves on skates or submerged vanes.

Services: More than 100 hydrofoil services are operating, 43 of them in Europe. Hovercraft now operate on only two; three more will be operating in Germany, America and Britain before the end of the year. Cross-channel services using the 38 passenger hovercraft start next year, the 160 ton craft following in 1967. Other operations are planned.

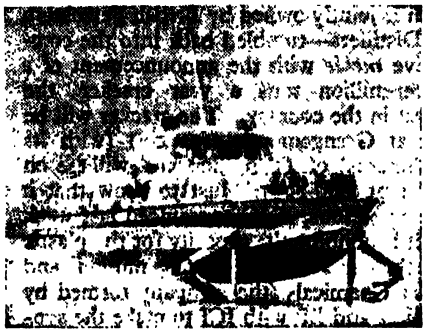
Speed: The biggest current hydrofoil could carry 250 passengers at 40 m.p.h., civil hydrofoil development is limited economically to speeds up to 65 m.p.h. even for larger craft. The biggest hovercraft now available, carrying 38 passengers, will operate at about 50 m.p.h. in 4-5 ft. waves, cross-channel giants should go at over 80 m.p.h.

Size: Hovercraft have the edge with the order for 160 ton cross-channel versions that could lead to even bigger things At their current maximum size, 38 passengers, they cannot compete with the greater passenger capacity of the hydrofoil even though they are faster; 300 ton, 550 passenger versions of the hydrofoil are on the drawing board; this is probably as big as they can go. No technical limit on hovercraft size.

Price: The limited number of hovercraft in service make comparisons difficult; the 38-seat version costs £97,500 compared to £90,000 for a 75 passenger hydrofoil.

Operating cost: Average fare for 2.5 million hydrofoil passengers last year was 6½d. per nautical mile. Clyde Hover Ferries charge 7s. for 4 miles, about 1s. 10d. per mile, but may change. No hovercraft operator has sufficient experience to calculate an economic fare structure—but it looks more than twice as high as the hydrofoil.

Maintenance: Exorbitant maintenance costs now threaten to swamp all but the largest future commercial hovercraft operation. The 38 passenger version uses an aero-engine needing servicing every 500 to 1,000 hours, lasting 5 weeks, costing over £5,000 and on occasion £9,000, and the hovercraft needs a second engine costing £25,000 to keep operating while servicing goes on. The hydrofoil uses easily maintained diesel engines requiring servicing every 3,000 to 5,000 hours, running on cheaper fuel.



Berthing: Hovercraft need no berthing or drydocking facilities, can run up on any beach for passengers and servicing. Hydrofoils need normal berthing facilities, and require lifting or docking for servicing; they are prone to propellor and shaft troubles, though these have not hampered highly successful operations so far. Hydrofoils with vanes and propellors that can be lifted for servicing are now being developed and will improve the scope of the craft.

Provided the maintenance bug can be beaten, hovercraft ferries have a future where berthing facilities are expensive or simply not available as on the Clyde and in the Solent, but may find it difficult to compete on normal high-density ferry services—except perhaps in the large versions of the future.

COMPANY MEETINGS

THE STANDARD BANK LIMITED

WIDENING OF AREA OF OPERATIONS IN AFRICA

SIR CYRIL HAWKER'S VIEWS ON ASPECTS OF THE FINANCE BILL

The Annual General Meeting of The Standard Bank Limited will be held on July 28th, at the Head Office, 10, Clements Lane, London, EC4.

The following is the statement by the Chairman, **Sir Cyril Hawker,** which has been circulated with the Report and Accounts:

GROWTH OF THE BANK

For several years we have stressed in this statement the efforts that the Bank is making to meet changing conditions. In the past year we have made a further move to broaden the base of our activities. Our merger with the Bank of West Africa will give the Standard Bank assets of £700 million and important support from three London clearing banks and from the Chase Manhattan Bank of New York through its subsidiary Chase Manhattan Overseas Banking Corporation. The enlarged organisation, with more than 1,100 branches, will provide banking services widely distributed in Africa south of the Sahara.

Strengthened by the new combination of British and American capital we shall be better able to stimulate and finance trade, to channel to the new African countries international resources for their development, and to prove our faith in the future of Africa. We extend a welcome to all new shareholders and also to the staff of the Bank of West Africa, whose interests it will be our special care to safeguard.

STAFF SALARIES AND TRAINING

Last year I referred to the changes in salary structure and system of promotion which we were introducing. These have now been completed throughout the service and have been very well received by the staff; the new arrangements have provided a stimulus which is reflected in performance at all levels. There has also been an increase in the numbers applying to enter the service of the Bank, and this has allowed us to be even more selective than in the past.

We are now giving special attention to the expansion of our training programmes, both in our offices and in our training colleges, to give the fullest opportunity to promising young men and women. With the widening scope of your Bank's activities we rely increasingly on the co-operation and efficiency of our staff, and I want them to know that these qualities are fully appreciated and earn our grateful thanks.

THE BOARD OF DIRECTORS

In October, to our great regret, Sir Keith Acutt resigned from the Board to return to South Africa. We welcome Mr W. D. Wilson, also of the Anglo American Corporation, who has been appointed to replace him. We also welcome Sir Robert Taylor, formerly Chairman of our three local Boards in Central Africa, and Mr Angus Lawrie, who have both joined our Board this year. Mr Lawrie, who is Chairman of the local Board in East Africa, will continue to hold that post. The practical experience of affairs in different parts of Africa which all these men possess will now be directly available to your Board and will be of great value.

THE BALANCE SHEET

Increase of Capital

It will be seen from the Consolidated Balance Sheet that Current, Deposit and Other Accounts have risen during the year by some £80 million. On the assets side investments are lower by £8 million and Trade and other Bills are higher by over £31 million. Advances to Customers and Other Accounts have risen by £65 million.

You all know of the terms proposed for the merger of this Bank with the Bank of West Africa. In response to our offer to acquire all the issued capital of the Bank of West Africa acceptances have been received in respect of over 98 per cent of the stock not already owned by us. The offer has been declared unconditional and the procedure under Section 209 of the Companies Act of 1948 will be applied to acquire any outstanding stock of the Bank of West Africa.

At an Extraordinary General Meeting held on April 23rd this year a Resolution was passed increasing the authorised capital of The Standard Bank Limited to £25 million. To implement the offer to the Bank of West Africa it was necessary to increase the issued capital from £11,650,000 to £17,500,050 in shares of £1 each. Of the increase, 3,600,050 shares were issued to former stockholders of the Bank of West Africa, 1,750,000 to Chase Manhattan Overseas Banking Corporation and 500,000 to the Midland Bank. The Standard Bank shares which Bank of West Africa shareholders elected to sell for cash were bought by a consortium consisting of the National Provincial Bank and the Westminster Bank (which had agreed to accept Standard Bank shares in exchange for their existing holdings in the Bank of West Africa) together with the Midland Bank and Chase Manhattan Overseas Banking Corporation. Negotiations are continuing for a possible further issue of shares to Chase Manhattan Overseas Banking Corporation not exceeding 375,000, in respect of the American bank's existing business in South Africa and Nigeria.

PROFITS

A Good Result for the Year

I am glad to be able to report that the Profit of the Group (which does not, of course, include any contribution from the Bank of West Africa) has again risen this year. The figure of £2,333,267 is £426,620 higher than last year, an increase of some 22 per cent. The increased profit is largely due to greater economic activity in parts of Africa; I would not expect the exceptionally buoyant conditions to continue in the coming year.

Of the profit of £2,333,267, an amount of £344,097 has been retained by the subsidiary companies in their own accounts. The Standard Bank of South Africa Limited have appropriated £375,000 to their Reserve Fund and the total carried forward in the accounts of the subsidiary companies amounts to £247,595.

The profit remaining to be dealt with in the accounts of The Standard Bank Limited (including dividends received from subsidiary companies) amounted to £1,989,170. Your Directors propose to allocate £400,000 to the Reserve Fund to bring this up to £12,400,000. An interim dividend of 7½ per cent was paid in January last and your Directors recommend that a final dividend of 10 per cent be paid to shareholders, making the total rate of distribution 17½ per cent (less tax) for the year. The final dividend of 10 per cent will be paid on 15,250,050 shares, which includes 3,600,050 shares issued to former stockholders of The Bank of West Africa Limited in accordance with the agreed terms of the merger. This will leave a balance of £637,196 to be carried forward to the next account, compared with £531,638 brought forward from the previous year.

TAX CHANGES

The Bank's Position

Many of you may be wondering what will be the effect on your Bank's position of the proposed new legislation on company taxation. It is not possible to make a precise forecast without knowledge of the final form of the new measures. On the basis of the past year's results it appears that we should have been somewhat worse off with Corporation Tax of 40 per cent than under the existing system. We might, however, suffer seriously in future if the level of company taxation was raised significantly in the countries in which we operate overseas.

Apart from the direct impact on our profits of the new measures an institution such as ours may be hurt by the discouragement to overseas investment in general. One of our functions is to help to finance British enterprise overseas

and also British exports, which are often most effectively promoted through subsidiary manufacturing or assembly plants abroad. To the extent that these activities are diminished our own business will suffer.

I cannot see that a contraction of the Bank's activities would lead to any national benefit. Our investment overseas brings in foreign exchange which must be a source of strength rather than weakness to the country's foreign payments position. Moreover the financing and advisory services of the Bank, as well as its activities in bringing British manufacturers in touch with prospective buyers in Africa are of direct, immediate, and substantial benefit to our balance of payments.

Investment in Africa

We have received many inquiries about the probable effect in Africa of the new controls on private investment. We do not yet know how it will work out. The Standard Bank's activities in Africa are at present almost wholly in the sterling area. British operations there, as far as we can see, will not be affected by the new measures relating to capital and dividends which are to be put into effect through exchange control. Although scrutiny of new investment in the sterling area by the Capital Issues Committee may in future be more strict, the incidence of Corporation Tax is likely to be the more direct discouragement to investment in those African countries where local taxation of foreign enterprise is heavy.

I am deeply concerned about the attitude to private overseas investment which the proposed new legislation seems to express. It may be that in present circumstances a reduction in some forms of private capital outflow is necessary. But it appears that too little weight has been attached to the effect which the Government's proposals will have on developing countries in Africa and elsewhere.

In most of Africa enough savings cannot at present be generated locally to provide adequate resources for development. Nor is there available the necessary knowledge of management and industrial techniques. Loans and grants from governments and international agencies are a valuable source of investment funds, but they cannot replace private enterprise in achieving sustained growth. It is the experienced management and technical skills which private enterprise can provide, as well as capital, that are especially needed by a developing country. If the richer western countries withhold these essential tools from former colonial territories they will invite a growing estrangement.

EAST AFRICA

Change and Progress

Recent news from East Africa is disappointing to those of us who believed that Kenya, Tanzania and Uganda would find their best hope of peace and prosperity in some form of federation. One of the most valuable links between the territories, the common currency administered by the East African Currency Board, is to disappear. In its place there will be three separate currencies and three central banks. It was always clear that in the absence of political union it would be difficult to achieve the co-ordination of fiscal and monetary policies required by a common central banking system. It will take time to establish separate currencies and central banks and for the present it is not possible to predict what the effect will be on your Bank in East Africa. It is encouraging that suggestions have been made by the Finance Ministers for future co-operation on such matters as the seasonal movement of funds between the territories.

Production and export values of the main cash crops in East Africa increased appreciably in 1964. Because world prices of coffee and sisal have been falling, and these two products bulk so largely in the economy of the three countries, results for the current year are expected to be less good. It is, however, encouraging for the future that investment in plant and machinery has increased in all three territories, reversing the persistent trend of recent years.

The Bank's results in East Africa up to March 31, 1965, showed some improvement over the previous year. There is a continuing demand for advances as new business and development expand, and our ratio of advances to deposits in this area is particularly high. The Bank cannot in each territory meet the demand for advances from local resources over the year as a whole, even less so at times of seasonal strain. In order to fill this gap sterling has to be remitted from London. As a commercial bank long established to serve East Africa it is our policy to supply funds in this way (to the extent that our available resources permit) if they are needed.

In August of last year, Sir Donald MacGillivray, who has been a member of our East African Board for some years, was appointed Deputy Chairman of that Board. This appointment will make it possible for Mr Angus Lawrie to divide his time between London and East Africa. Mr J. T. Simpson joined our East African Board at the beginning of this year; his pioneering work as former Chairman of the Uganda Development Corporation is well known and we congratulate him on the honorary KBE recently conferred on him.

CENTRAL AFRICA

The First Year of Separation

Last October the territory that was formerly Northern Rhodesia gained full independence as the Republic of Zambia, with Dr Kenneth Kaunda as its first President. I was able to be present at the ceremonies, which were moving and impressive. We extend our congratulations and good wishes to the new Republic.

The Central African countries have on the whole had a successful year. The mining products of Zambia and to a lesser extent Rhodesia have commanded good world prices and exports of the main agricultural crops of these territories and of Malawi were satisfactory. Part of the success of the new regimes has undoubtedly been due to the good sense of governments in not attempting a sudden disruption of existing economic relationships.

The profits of your Bank in Central Africa were affected by the expenses necessarily incurred in establishing the separate local Boards and administrative offices to which I referred last year. We were also much occupied with the process of adjustment to three new currencies and three central banks. This transition has been achieved in an orderly and responsible manner. It is to be hoped that new exchange controls will be moderate and flexible and will permit funds to flow with some freedom between the territories.

The departure of Sir Robert Taylor for London has brought changes to our Central African Boards. In Rhodesia we welcome back Mr Evan Campbell, who will now become Chairman of our Rhodesian Board. Mr Campbell has relinquished his position as Rhodesian High Commissioner in London, a position which he held with distinction in difficult circumstances. In Zambia Mr D. G. Nicholson becomes Chairman of the Local Board while at the beginning of the current financial year Mr G. W. Dunlop was appointed Chairman of our Malawi Board.

SOUTH AFRICA

Another Year of Expansion

The Republic again had a year of exceptional economic activity. The Standard Bank of South Africa enjoyed its full share of profitable business and as a result it was found necessary to increase its capital from R20 million to R21,700,000 by a further issue of shares to The Standard Bank Limited.

In the course of the year a wholly owned subsidiary was launched—the Standard Bank Development Corporation of South Africa. The new institution is intended to be a source of medium-term finance and will in due course be actively assisting in the provision of capital for development projects. With this new subsidiary, and with its interests in the City Merchant Bank and the National Industrial Credit Corporation, the Standard Bank of South Africa is equipped to assist in the financing of commercial operations of almost any type.

During the past year the process of decentralisation within the Bank was carried further with the establishment of two local Boards of Directors in the Orange Free State and in South West Africa. Mr J. R. Roderick has been appointed Chairman of the Orange Free State Local Board, and Mr E. A. H. F. Behnsen, Chairman of the South West Africa Local Board. The new Boards will help the Bank to keep more closely in touch with conditions in these two areas. Some changes have also occurred in the membership of the Cape Board and the Natal Local Board.

This year the Bank celebrates the fiftieth anniversary of its entry into South West Africa, and in April I had the pleasure of travelling to Windhoek to attend the functions held to mark the occasion.

During the recent phase of expansion in the Republic your Bank, in common with other financial institutions, found that its resources were not increasing as rapidly as the demands made on them. By early 1965 a fierce competition for resources had developed, with banks and other financial concerns raising the interest rates they offered in their endeavour to attract deposits. These developments were unwelcome to the monetary authorities. Mortgage rates of building societies were being pushed up at a time of acute housing shortage. In addition consumer credit, already inflated, was being expanded by certain financial institutions which were able to add to their resources by offering high rates of return. In March therefore the Reserve Bank intervened in the interest rate war and prescribed maximum rates for deposits. We must hope that this imposed rigidity in the market for short and medium term funds will soon be ended.

Earlier this year agreement was reached among the commercial and merchant banks to introduce a system of commitment fees on overdraft limits. This move was welcomed by the Reserve Bank for its effect in controlling the total volume of credit.

* * *

A simultaneous boom in investment and in consumption is at present straining the resources

of the Republic. Shortages of skilled labour, building materials and transport are holding back production and raising costs and prices. The pressure of domestic demand has caused a sharp increase in imports, and foreign reserves, though still substantial, have been falling rather rapidly in the last few months.

These pressures were mounting during 1964, but for various reasons the authorities delayed serious countervailing action until recently. It was hoped that natural corrective factors would limit further over-rapid expansion, and a sudden check to business confidence was clearly undesirable, particularly at a time when two years of drought was spoiling crops and cutting down farmers' incomes.

Finally the Reserve Bank, after several warnings and appeals for restraint, took positive steps in March last to restrict credit. Bank rate, which had been increased last July and again in December, was raised to 5 per cent, the highest level for nearly four years. The liquid assets ratios of commercial banks were raised by 4 per cent; further increases of 2 per cent each were made in April, May and June. The banks agreed to restrict their loans to finance houses, and also to the public for consumer credit and certain other purposes. Other financial concerns were asked to observe similar restraint and to apply to themselves voluntarily the liquid asset ratios enforced on the commercial banks. The Reserve Bank also announced a more restrictive policy in the discounting of commercial bills.

There is some doubt whether these measures by themselves will be effective in holding down the growth of consumption and private investment to more manageable levels. At present the monetary authorities have no power enabling them to control financial institutions other than commercial banks by increasing their liquidity requirements; in 1966 provisions of the new banking legislation giving these powers will come into force. The government could have reinforced monetary measures by a tough budget in March. But the budget that was presented was neutral rather than deflationary, and government expenditure on capital projects and defence is adding to the strain on resources imposed by private investment.

The critical area at present is the balance of payments. The prolonged drought is reducing agricultural exports; the government in an effort to check rising domestic prices has deliberately not restricted the volume of imports. It will take time for monetary restrictions to reduce internal demand sufficiently to affect the trade balance while British and American curbs on foreign lending may limit capital imports. Basically the South African economy is strong and although business activity is likely to be at a lower level in the coming year, the present check need be only a temporary slackening of the rate of economic growth.

PROGRESS AT MIDLAND AND INTERNATIONAL BANKS LIMITED

Midland and International Banks Limited, which started business in March, 1964, has grown and prospered in its first year. As was to be expected, since loan proposals take time to develop, deposits have gone well ahead and the liquid position is now substantial. At the end of March 1965, after a year's trading, deposits amounted to over £125 million, a most satisfactory figure. MAIBL has now a wide geographical distribution of business, and loans have been made in all five continents; term loans granted to Africa amount to 13 per cent of the total.

A welcome feature of the new association is the closer contact and co-operation it has brought with our three partners—the Midland, Toronto-Dominion and Commercial Bank of Australia.

THE LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES

The Fifty-fifth Annual General Meeting of The London County Freehold and Leasehold Properties Limited will be held on July 26th in London.

The following is an extract from the circulated statement of the Chairman, **Mr C. W. Shelford, MA, FCA**:

The Accounts for the year to March 31, 1965 are rather better than anticipated. We recommend a dividend of 1s. 10d. per 10s. unit of Ordinary Stock (last year 1s. 8d.). The rent roll of the Group, exclusive of rates, has now increased to the large figure of £4,168,000, and we have reached a landmark in that the net revenue after tax is now over £1,000,000.

We now have commitments of about £1,200,000 in this country for capital projects in course of erection. Our financial arrangements are such that we are well placed to make further suitable investments.

I have already referred in my circular, dated March 29, 1965, to the difficulties which face us in connection with Corporation Tax. We propose to maintain our dividend if it is possible to do so even at the cost of some drawing on our accumulated revenue account.

	1965 £	1964 £
Properties (net Book Value)	28,033,959	26,576,502
Exclusive Rents	4,313,358	3,853,475
Net Revenue after taxation	1,024,342	897,665
Dividends	934,010	870,375
Rate of Ordinary dividend	1s. 10d.	1s. 8d.

CSF - COMPAGNIE GÉNÉRALE DE TÉLÉGRAPHIE SANS FIL

PARIS

The Annual General Meeting of CSF-Compagnie Générale de Télégraphie Sans Fil was held in Paris on June 18, 1965, **M. Maurice PONTE** presiding.

The accounts for 1964, which had closed with a net profit of Frs. 14,022,131, were adopted, and it was resolved to distribute a net dividend of Frs. 5.50 per share on a capital raised from Frs. 85,747,000 to Frs. 91,247,000. The dividend is payable as from July 5, 1965.

Two directors of the Company, MM. Jean LE DUC and Gustave RAMBAUD, were re-elected to the Board.

Moreover the Board were authorised to issue bonds or debentures up to a total of Frs. 100m.

During the year under review the Company recorded a further increase in turnover, from Frs. 604,150,000 to Frs. 721,546,000. The importance of exports, representing as they did 27 per cent of the turnover as a whole, is worth noting in this connection.

Consolidated Group turnover, including foreign subsidiaries, rose by 16 per cent to Frs. 1,282,728,000.

The Board's report underlines the very important part the research and development laboratories continue to play. With a staff of 2,500 experts, or nearly 10 per cent of the Group's total labour force, the laboratories' most recent efforts were particularly concerned with improvements in performance, the more general use of semi-conductors and the new technologies in the field of miniaturisation of apparatus and components. It should be recalled here that, at the end of 1964, the Companies filed its 2,000th patent.

In his address the Chairman expressed his faith in the future of the French electronics industry, an industry that had shown itself to be of fundamental importance for economic growth all over the world.

Recalling the recent success of the SECAM colour television process, he felt that this clearly showed the results that could be obtained by a purely French research effort.

The Chairman went on to compare the considerable resources available to the American electronics industry, powerfully assisted as it is by the US Government which bears a very large share of research and development costs, on the one hand, and the restrictions as well as the uncertainties in regard to both orders and research programmes in France on the other, and said he very much hoped that credits appropriated for scientific, technical and technological research would not be dispersed in the future. In this connection he drew particular attention to the future of electronic computers and their modern components which had been too much neglected in French research when, in five years, they would dominate the life of the country.

RENOLD CHAINS LIMITED

Extracts from the Statement by Sir Charles Renold, JP, LLD.

The thirty-fifth Annual General Meeting of Renold Chains Limited will be held on July 29th at Renold House, Wythenshawe, Manchester.

The following are extracts from the statement by the Chairman, Sir Charles Renold, JP, LLD, which has been circulated with the report and accounts for the year ended March 29, 1965:

This year has been an outstanding one in the life of the Company. The merger with John Holroyd which took place in October, 1964, was a major step towards our full participation in the wider field of manufacturing and marketing positive drive transmission products. I will say something more about this merger later but I feel it right to give it pride of place in my Statement. If you will look at the description of the Company's business on the inside of the cover of the Report and Accounts you will see that its new content reflects this development in the scope of our interests and the publicity section illustrates how we have achieved a true merger of engineering skills.

In the chain field itself the results of our activities have fully lived up to the indication I gave you last year and the year before and underline the fact that although we have widened our interests we still have unbounded faith in the future of precision chain and its associated products, wheels, clutches and couplings, on which our business has hitherto been based.

The Company's achievements were perhaps greatest in the export field and later in this Statement you will find facts and figures which are of significance at a time when our country's future depends upon its ability to continue to expand exports. It will, I think, be apparent that we have done our share in this vital part of our national life, a substantial part of which could not have been so successful without the support of earlier overseas investment.

I am happy to tell you that the impetus of satisfactory sales and orders of Renold products has carried on into the present year. Sales and orders of gear products are in excess of the corresponding period of last year and the same is true of those activities of John Holroyd which are not in the transmission field.

INCREASED GROUP TRADING PROFIT

The Group Profit on Trading for the year was £3,332,090, which is an increase of £1,116,851 compared with last year and is after charging depreciation amounting to £923,208 but before charging interest payable of £161,361. (This Group Profit on Trading includes six months' profits from John Holroyd & Company Limited and its subsidiaries amounting to £687,197.)

Charges in the Group Profit and Loss Account for taxation on profits for the year are £1,823,557. This is 58 per cent of the Group Profit on Trading for the year compared with 53 per cent last year. The higher percentage arises principally from the increase in the standard rate of income tax from 7s. 9d. to 8s. 3d. in the £.

The Group Profit for the year after Taxation was £1,347,172 which has been increased by £4,288 being loss attributable to Minority Interests in Subsidiaries; thus £1,351,460 is attributable to stockholders of Renold Chains Limited compared with £1,008,656 last year.

From these profits the Directors now recommend a final Ordinary Dividend of 5 per cent which is ½ per cent in excess of the rate of 4½ per cent indicated in the letters to stockholders of Renold Chains Limited and John Holroyd & Company Limited in October, 1964. This final dividend of 5 per cent makes a total for the year of 9½ per cent (less income tax) which is an increase of 1¼ per cent over the annual rate for 1963/4 of 8¼ per cent (less income tax) as adjusted for the capitalisation issue which took place in August, 1964.

Although at this early stage any assessment of Corporation Tax can only be a matter of conjecture, stockholders may be interested in the Directors' estimate of its likely effect on the Company if it reaches the statute book in its present form. First of all, in my view, there is nothing fundamentally wrong with a corporation tax on company profits in place of income and profits tax. It is, however, very doubtful whether it is desirable, in a free enterprise society, to encourage growth companies which want to expand to depend on profit retention rather than the normal capital market; they ought to be subject to market disciplines. Therefore, any corporation tax should be designed to allow reasonable profit distribution certainly without penalty and may be as in Germany some incentive to that end ought to be given.

Now as regards its effect on the Company as we see it at the moment (and as I write the proposals are changing daily), there are two aspects to be considered. So far as its effect on dividends from overseas subsidiaries is concerned, there will be some reduction in double taxation relief but it is not expected that this would be very serious. In the UK the effect of the Corporation Tax and the payment of dividends gross can only be expressed if certain assumptions are made. If the Corporation Tax were levied at about 38 per cent, and profits and dividends continued as in 1964/5, there would be no change in the amount of retained profits of the Group. (Furthermore, it must not be forgotten that the Chancellor originally indicated a rate of 35 per cent). It is, of course, possible that the Corporation Tax will be levied at a higher rate than 38 per cent but it must also be remembered that the 1965/6 results will include the benefit of a full twelve months' profits from John Holroyd & Company Limited—although partially offset by the burden of a full year's interest charge on debenture stock and bank borrowings and the need to provide for the former Holroyd shareholders to participate for the first time in the interim dividend.

In connection with proposals for the new capital gains tax which may soon become law,

GROUP FINANCIAL RESULTS AND DIVIDENDS

	1964/5 £	1963/4 £
Group Profit on Trading	3,332,090	2,215,239
Interest Payable	161,361	43,105
Group Profit before Taxation	3,170,729	2,172,134
Group Profit after Taxation and Minority Interest	1,351,460	1,008,656
Profit retained	636,323	449,597
Dividends net	715,137	559,059
	1,351,460	1,008,656
Issued Share Capital	14,221,930	8,561,568
Reserves	11,010,383	8,805,882
Loans and Minority Interests	3,500,207	421,657
	28,732,520	17,789,107

it may be convenient to indicate here that the middle price of Renold Chains Limited Ordinary Stock according to the Daily Stock Exchange List on Budget Day, April 6, 1965 was 38s. 9d.

MERGER WITH JOHN HOLROYD & COMPANY

I have already referred to the merger with John Holroyd & Company Limited. You will remember that in October, 1964 we acquired all the share capital of John Holroyd & Company Limited for £6,025,000 in cash and £3,000,000 Renold Ordinary Stock. The intention behind this merger was the marriage of two precision engineering products of the highest quality in the positive drive transmission field so that each product could complement the other. The further intention was that the Renold Group's world-wide selling organisation should provide additional outlets to match the ever-increasing demand for gear products, resulting in greater service to customers and increased efficiency in operations. Furthermore, outside the transmission field the other interests of the Holroyd Group provided worthwhile contributions to profits and spread of activities. I am very happy to tell you that although much remains to be done before we can reap the full benefit of this merger, we are settling down together very happily with great confidence in our joint future. We expect that next year and even more so in the years to come, we shall see the benefits of this important step in our development.

The operating profit of Renold Chains Limited (which is, of course, before the inclusion of dividends from Subsidiaries and deduction for interest payable) amounts to £2,053,902 compared with £1,590,694 last year.

This year, both our home and export sales have increased satisfactorily compared with last year, but it is of particular interest to note that in a year of high demand at home, exports represented some 37 per cent of total sales. This only relates to direct exports but, of course, in addition a large proportion of our home sales are exported indirectly. Throughout the year orders were received at a rate in excess of the previous year, both from the home and export markets. Apart from usual seasonal influences the rate of input of orders was consistently high for Home Industrial, Export and Conveyor Accounts.

Cost increases caused a selective price rise to be applied at the beginning of 1965. The price rises applied did not represent the full measure of the extra costs, as certain cost increases were absorbed. Increased volumes and output enabled us to hold the level of prices of our lighter chains, representing half of our output.

I feel it would be appropriate on this occasion with the national need and emphasis on exports to refer in more detail to our own performance in this field. It must never be forgotten that this country depends upon the efforts of the traditional and long-established exporters whose growth is steady and continuing—some of whom, like ourselves, rarely obtain the publicity which follows the receipt of single orders of a substantial size. I do not propose to go back into history but to give some information about our efforts in the last four years which have not been exactly easy for UK exporters.

During these four years, our total direct Renold exports have nearly doubled and some notable increases in sales to difficult markets, where our sales were already of consequence, are shown below:

Australia	70%
Belgium	30%
Brazil	140%
Canada	70%
Chile	120
Finland	200
France	200
Italy	60%
New Zealand	40%
South Africa	40%
Sweden	30%
USA	100%
West Germany	200

How is all this achieved? Firstly, of course, the right product of high quality backed by availability and service in almost every country in the world. We have a strongly based and well supervised international organisation consisting of eight wholly owned selling subsidiaries and over eighty sales agents in over a hundred countries. This overseas selling organisation is encouraged to establish sales offices with stocks and service in every sizeable industrial community in the world. It is staffed by engineers trained in England and supervised by Renold territorial sales managers on the spot and supported by frequent visits from Renold executive personnel.

Our possession of complementary manufacturing facilities overseas is of importance in promoting our export sales from the UK. In Germany, France and Australia our exports have been steadily increased over the last few years due in large measure to those facilities.

Because of all this we are undoubtedly successful exporters and exports are important to the Company both for volume and value as indeed they are for the nation. It is interesting to note that the UK share of world industrial exports is given in the United Nations Monthly Bulletin of Statistics for March, 1965 as 8.5 per cent, whereas the Renold share of chain exports in the world as a whole in 1963 was 27 per cent. During 1964 the national share was falling towards 8 per cent whereas the Renold share was rising.

I have referred on this occasion only to Renold exports. A similar success story can be told of John Holroyd but these details will be given in a later year.

The year 1964/5 began with demand at high levels at all establishments. This increased demand which commenced in the middle of the previous year resulted in considerable pressure to increase production. The availability of manufacturing potential, however, enabled this pressure to be met and during the second half of the year equilibrium between demand and production was achieved and stocks which had earlier been depleted were increased and are now in a position to meet demand at the current level.

National production during the year was high, hence restriction on labour availability was felt and the recruitment of the necessary employees to met the higher level of production took longer than would normally have been the case. As a result, overtime working throughout the year was at a relatively high level, although in general less than the national average. Towards the end of the year, as the additions to the labour force began to make their full contribution, overtime working was reduced.

HIGH LEVELS OF OUTPUT

High levels of output and despatches were established for practically all products. During 1964/5 the full effect of the rationalisation programme referred to last year was experienced and this concentration of product into the most economic manufacturing locations also assisted in obtaining the high performance.

The subsidiaries of Renold Chains Limited, both home and overseas (but excluding John Holroyd & Company Limited and its subsidiaries) achieved an operating profit before deduction of interest payable amounting to £590,991 compared with £624,545 last year. This reduction is almost entirely due to a diminution in the profits of the subsidiaries in two territories.

John Holroyd & Company Limited and its subsidiaries achieved an operating profit amounting to £687,197 for the six months ended March 28, 1965, compared with £1,002,683 for the twelve months ended September 26, 1964 (during which period these companies were not members of the Group). Whilst this is an increase of 37 per cent over one half of the trading profit for the year September 26, 1964 there were certain factors in this period which were exceptional.

Following the merger with John Holroyd & Company Limited, Mr E. O. Liebert and Mr G. W. Taylor were appointed to the Board in January, 1965. Sir G. Wilton Lee, TD, JP, was appointed to the Board in May, 1965.

PROSPECTS

We have already had a good beginning to the year and even if there is some diminution in activity on the home side as the year goes on, I am confident that with our expanding exports we shall be able to make a good showing in 1965/6. The trading outlook all over the world has been favourable for some time and it is difficult to recall a time when all industrial countries of the world were as busy and as prosperous at the same time as they have been during the last year. These circumstances, should they persist, provide great opportunities for exports. As a nation we still have to find the solution to the problem of living with our prosperity, and wages—and consequently costs—are proving extremely difficult to restrain. Continued success in the export field depends very largely on a satisfactory solution to this problem but it is something we as a Company cannot achieve on our own.

We are proceeding with certain selected increases in capacity on the chain side of the Group and if demand continues to increase we may be faced with some full-scale expansion in the near future. Certain expansion plans which are under way on the Holroyd side are expected to come to fruition during the current year and if demand stays high this could have a material effect on results in 1966/7. We are continuing our policy of modernisation both in manufacturing equipment and in marketing facilities and this applies both at home and overseas. Following our merger with Holroyd we have an enlarged area of operation over which to improve our efficiency and our service to customers. We believe that action along these lines will more than offset any reduction in demand which certain sections of the Group may encounter later in the current year.

THE BRITISH PLASTER BOARD (HOLDINGS) LIMITED

Mr R. S. Jukes, Chairman

Group's widely based interests reviewed

The annual general meeting of The British Plaster Board (Holdings) Limited will be held on July 29th in London.

The following is the statement by the Chairman, Mr R. S. Jukes:

COMPANY NAME

For some time it has been felt that our existing name links the company's activities too closely with the production of plasterboard in Britain and does not indicate the wide-spread nature of the operations of the group. Thus misunderstandings have arisen to the company's detriment.

Subject, therefore, to the members agreeing to a special resolution at the annual general meeting and to Board of Trade approval, it is proposed to change the name of the company to "BPB Industries Limited."

DIRECTORATE

On Sir Graham Hayman's retirement from the board at the end of March, I was privileged to be appointed chairman of the company, and I would like, in this my first statement to the shareholders, to express the appreciation of the board, and I am sure of the shareholders, to Sir Graham for all he has done for the company during his twenty years as a director and latterly as chairman, and to wish him a long and happy retirement.

In March, The Right Honourable Lord Erroll of Hale was invited to join the board and my colleagues and I were very pleased that he was able to accept the appointment. It will be recalled that before becoming a member of the House of Lords, Lord Erroll held a number of ministerial positions in the last Government, including his appointment as President of the Board of Trade. It has already been clearly demonstrated that Lord Erroll's wide knowledge of industrial and political affairs is of great value to the company and I recommend your confirmation of his appointment at the annual general meeting.

ACCOUNTS

The group trading profit before tax for the year to March 31, 1965, of £4,978,000 was a record and was £442,000 higher than the profit of the previous period. Taking the year as a whole, I suggest this can be considered a satisfactory outcome, but it must be recorded that in the latter months, particularly in the United Kingdom companies, profitability has been more adversely affected than hitherto by the inexorable rise in costs of materials, services and wages. I will return to this point later in connection with prices.

The amount provided for depreciation was £1,601,000 compared with £1,576,000 in the previous year. It is the group's normal policy to calculate the annual charge for depreciation so as to amortise the book value of each asset evenly over its estimated life.

Eliminating inter-group transactions, sales for the year were as follows:—

	£'000s
United Kingdom	
Gypsum, building materials, engineering products, etc.	22,956
Paper, paperboard and packaging products	9,749
Overseas	
Building materials, paper, etc.	5,675
	£38,380

After providing for taxation and taking account of the interests of outside shareholders, the group profit available for appropriation is £2,891,000. In this connection, it should be borne in mind that at the time the accounts of subsidiary companies were prepared, the provisions of the Finance Bill particularly those incorporated in Clause 78 dealing with dividend distributions during the year 1965/66 had to be applied, lest we should suffer taxation penalties, this has meant that subsidiary companies have retained £1,285,000 as reserves and unappropriated profit which is a larger proportion of the available profit of the group than usual. In consequence, the transfer to general reserve of £450,000 is lower than in recent years.

As foreshadowed in last year's statement, the interim dividend on the ordinary capital paid on January 14th was at the rate of 4½ per cent less tax, which compared with a rate of 3 per cent less tax paid in the previous year. The increased interim dividend was intended to reduce the disparity between the interim and final dividends on the ordinary capital. The board now recommends a final dividend at the rate of 6½ per cent making a total for the year of 11 per cent compared with the 10½ per cent paid last year on the same capital.

When deciding to recommend this final dividend, the board took account of the provisions of Clause 78 of the Finance Bill. It was felt in spite of the higher profits, that these provisions made it impossible to recommend a yet higher rate of final dividend without either paying a substantial tax penalty or reducing the rate of interim dividend we could pay in January, 1966, below the 4½ per cent rate paid last January.

Capital commitments as shown on the consolidated balance sheet at March 31, 1965, amounted to £2,859,000 and represented the value of outstanding orders placed for capital schemes at that date. The full value of capital projects already approved by the board, but not paid for at March 31, 1965, amounted to nearly £6 million.

Borrowings from the company's bankers were increased during the year and in view of the credit restrictions now in force, and in order not to retard any of our existing plans for expansion or to lose opportunities for embarking upon worth while projects which may arise in the future, we are proposing to make a debenture issue, and I hope that by the time this statement is published, the arrangements will have been completed.

Some of the provisions of the Finance Bill have already been amended and there may be further changes which will affect companies before the Bill becomes law. Nevertheless there is an aspect of the proposal which has particular reference to the company and which, at the time this statement was prepared, I felt ought to be explained to shareholders in view of the harmful effect it could have.

We have been told that the corporation tax may be 40 per cent and that income tax, at present at 8s. 3d. in the £, has to be deducted from all distributions and accounted for to the Inland Revenue. On this basis we calculate that our group will have to earn approximately £322,000 more than we did in the year under review in order to maintain the existing level of dividends and retentions.

UNITED KINGDOM AND REPUBLIC OF IRELAND

Building Materials. British Gypsum Limited, as reported a year ago, now encompasses all our trading activities in gypsum products in the United Kingdom. This company, together with our Irish company, Gypsum Industries Ltd., produced 8½ per cent more plasterboard and 11 per cent more plaster during the year, compared with the previous year, and these increases were achieved at a time when plants were subject to considerable disruption whilst various extensions were in course of construction.

However, this increase in the production of plasterboard was not sufficient to meet the very heavy demand for that material which developed a year ago, with the result that the industry has been criticised in the press for the long delivery dates now being quoted.

We had taken pride in our long record of giving immediate delivery against orders for plasterboard, and we had always been able to increase our productive capacities as required to ensure that we had some reserve to meet any surge in demand. In 1963, we came to the conclusion that

there was likely to be an unprecedented rise in the following years in the demand for plasterboard, and in spite of continuing uncertainties in housing programmes the board then authorised a major programme of expansion. Unfortunately, it takes two years to build a modern plasterboard factory and more where planning and other permissions are difficult to obtain. We hope that by the end of this year we shall have sufficient additional capacity to restore our reputation for immediate delivery.

It will interest you to know that when the present programme has been completed, we shall have increased our capacity to manufacture plasterboard by 125 per cent over the last four/five years.

Meantime, all the plants in this division have been running on a seven day week basis throughout the year under review and, in addition, substantial quantities of plasterboard have been imported from the Group's Canadian subsidiary and European associated companies in an effort to meet the demand. For the benefit of those shareholders who wish to know more of the facts about the current plaster and plasterboard situation and about the industry's plans to rectify the shortage position, a copy of an article published in the Gypsum Journal in May, 1965, entitled *The Gypsum Industry An Assessment*, is being circulated with the accounts.

Until recently, selling prices of plasterboard had been reduced by the group to well below those agreed with the Government when we were freed from voluntary control at the beginning of 1952, while plaster prices had been increased by only 16 per cent since then. During the whole of these thirteen years, costs of materials, services and wages have continued to rise, but by increased capital investment, even greater efficiency and as the result of research work coupled with a resultant increase in turnover, we have been able to avoid passing these cost increases on to our customers through increased selling prices.

This is a record of price stability of which we are justifiably proud and which we have wanted to maintain.

Unfortunately, in recent months, the scale of cost increases has been such that as from June 8, 1965, we were compelled to raise the prices of a limited range of gypsum products. Thus the prices of plasterboard have been increased by 5 per cent, but they are still, on average, slightly below the prices agreed with the Government in early 1952. Certain plaster prices have been increased by 4½ per cent.

Paper and Board. During the year, it was decided to integrate the companies producing paper, paperboard and packaging products, and for this purpose a new wholly-owned subsidiary company Davidson Radcliffe Group Limited has been formed to hold all the shares of the UK companies in this division.

The starting up early in 1965 of the new Inverform paper machine at Mugiemoss, near Aberdeen, was an important event in the affairs of C. Davidson & Sons Ltd., and I am glad to be able to report that despite some delays and initial teething troubles, this most modern machine is now undergoing extended test runs on the various qualities we require. This is the largest single item of new plant ever installed by the group and all those concerned in the work are to be congratulated on successfully bringing the unit into production.

All our paper, paperboard and converting factories have had a busy year, and there have been only a few occasions of short duration when any of these plants has been operating below maximum capacity.

Profit margins are still below a reasonable level in some sections of the packaging trade and this is likely to continue so long as the country's productive capacity keeps too far ahead of demand. It is fortunate that, because of our integrated set-up and the moneys spent on modernising our plants, we should be able to withstand better than most any troublesome times which may be ahead.

In total, this section of our group has again made a large and increased contribution to profits, and the order books at the moment promise satisfactory results in the current year.

Engineering Products. During the year we received a suitable offer for our engineering companies, H. Gill Stampings Ltd. and William Ross & Sons Ltd., from a producer of the alloys which constitute their main raw materials. We considered that these companies could be operated more successfully if controlled by interests closely allied to the engineering industry, and we therefore accepted this offer.

The remaining engineering company, John Perks & Son (Forgings) Ltd., has been producing to capacity in its present factory at Lye and has improved upon its previous good profit record. It is expected that it will be able to expand its sales when the plant is moved to a new building, scheduled for completion towards the end of 1965.

OVERSEAS

Possible Effect of Finance Bill and Currency Regulations. We have considerable investments in companies overseas and in the majority of them a substantial proportion of our holdings is in recognition of the technical and commercial skills we have provided. Several are only nearing the stage at which, under normal circumstances, we would have expected to reap the rewards of our years of hard work through increasing profits and higher dividends remitted to the United Kingdom. Whilst, as far as can be judged at present, it is not expected that the proportion of the group's profits earned overseas is likely ever to outweigh the profits earned in the United Kingdom, the proposed reduction in double tax relief will certainly make these investments less attractive.

It is appreciated that as the United Kingdom is now in serious balance of payments difficulties, the emphasis to industry must be to increase exports yielding quick returns and to reduce imports as far as practicable, and also to curtail investment abroad. On the other hand, in an overcrowded country such as ours, with few natural resources and with other countries rapidly developing thier own secondary industries, it is of vital long term importance that those who can should be selling their techniques and putting in their time, coupled, where necessary, with finance to achieve a permanent investment in overseas companies, not only to yield dividends but also to influence the use of British goods and services wherever possible.

This is a path which the company has chosen to follow with enthusiasm for many years past, particularly wherever it has become apparent that the manufacture of our type of product is being developed in markets to which we have exported in the past. The policy is particularly applicable to certain of our major UK products which necessarily command a low price in relation to carriage costs, and thus cannot normally be expected to compete in countries where such products are manufactured locally.

This is also the path which has been chosen by many others similarly placed in British industry, and their boards, like ours, may well be wondering whether it will be worth-while to make similar efforts in the future.

Australia. The building industry has continued to expand at an increasing rate and the board of our associate company, Australian Gypsum Industries Ltd., anticipates that the demand for the products of the company should continue at a high level.

Belgium. Our associate company, S.A. Gyproc-Benelux, completed the extension of the plasterboard plant near Antwerp early this year. The increased capacity is being absorbed rapidly in the developing markets of the Benelux countries and West Germany.

Canada. Our Canadian company, Western Gypsum Products Ltd., producing plaster and plasterboard, had a satisfactory year and profits showed an increase on those of the previous year. Like many companies in the building industry in Canada, they suffered from the effects of a very severe winter.

The Federal Government has recently announced steps to make mortgage money more readily available at competitive interest rates and has authorised an increase in the maximum limit for mortgages. Both these measures should have a beneficial effect on the volume of house building in Canada during the coming year.

France. Our associate company Placoplatre S.A., which produces plasterboard near Paris, has suffered during recent months through the general slackening in French building activity. It is believed, however, that this is purely a temporary situation and that a steadily rising trend in demand will be resumed shortly. Construction of the new plasterboard plant at Chambery is, therefore, proceeding according to plan.

Rhodesia. Sales of both linerboard and newsprint remain disappointingly low. However, there is now a good prospect that we can substantially increase our sales of linerboard and there are signs of a more settled future for Rhodesia which, when it materialises, will have a rapid and beneficial effect upon the prosperity of industry in that country. Meantime, for the year under review, I am able to report an appreciable increase in the modest profits we are making.

South Africa. The greater demand for building materials in South Africa resulted in high profits for our associate company, Gypsum Industries Limited, as shown in its last published accounts. In view of the increasing interest in that country in the industrialisation of building, the sales of gypsum and plasterboard in spite of temporary setbacks, are expected in the long term to rise as they have done in other countries in similar conditions.

Sweden. Svenska Aktiebolaget Gyproc has had another successful year and with the new plant at Balsta in steady operation, it has been able to satisfy the increasing demands for plaster and plasterboard in the Scandinavian countries. A further extension to the original plant at Varberg is under construction.

Zambia. In Zambia, our associate company, G.I. Mines Ltd., is now operating a specially designed mechanical screening and sorting plant, which is increasing the proportion of high grade manganese recovery. This, together with some curtailment of the scale of the operation, will extend the life of the present mine.

RESEARCH AND DEVELOPMENT

We continue to attach very great importance to research work in connection with our existing products and in the development of new ones,

Continued overleaf

and the close association with United States Gypsum Company on technical matters is growing in scope with beneficial results to both companies.

The major extension to our central research laboratory referred to in last year's statement is progressing satisfactorily and the board has agreed to the provision of a new laboratory to test and improve the acoustic properties of our building products; this we consider to be a necessary and fruitful field for research, which will also be of benefit to the building industry as a whole.

OUR PERSONNEL

Apart from associate companies, the group has some 8,800 employees in the United Kingdom and another 1,200 overseas. On your behalf, and on behalf of the board, I take this opportunity to thank all of them—the miners, the men and women in the factories and the offices, the salesmen and the managers—for yet another year's team work of exceptional merit, which has produced the results before you.

OUR FUTURE

Generally, the products we make are in demand in increasing quantities. Our paperboard manufacturing capacity has just been substantially increased, and over the next few months there will be further very large increases in our outputs of plaster and plasterboard. Our products are of excellent quality and they are sold at prices which, in the main, are very low in comparison with alternative materials, or, for the rest, are fully competitive.

There are major adverse factors not within our control. For instance, credit restrictions and high interest charges are tending to slow the rate of house building and to put homes, now under construction or already built, beyond the means of many families. The rate of increase in the costs of services, of wages and of such materials as we do not produce ourselves, may continue to accelerate beyond our best efforts to absorb them. The ever increasing taxation to which the rewards of exceptional achievement at all levels are subjected, may prove so disheartening as to become self-defeating by reducing overall production by which our country must live.

Nevertheless, much of the future of our widely based interests does lie within our own control and, except that for some months yet the expenses of starting up major new productive capacity are likely to be heavy, the prospects are definitely favourable. Thus, I remain confident that, during the current year, we can achieve more records in terms of output and productivity, and I believe it should be possible to maintain a satisfactory reward for capital invested.

SOUTHCROS LIMITED

Main points from the statement by the Chairman, Mr John V. Sheffield, for the year ended March 31, 1965.

The reduction in Group profits before taxation is due to a substantial loss incurred by Norvic Electric (Acton) Limited which suffered from the depression affecting the electric blanket industry as a whole in 1964. This is particularly disappointing as many of our companies have had a very successful year.

The leasehold of a large modern factory in Loudwater, near High Wycombe, was acquired during the year and four of our subsidiaries are being merged in this factory under one management. The activities of these companies are compatible and lie in the light engineering or allied trades. This integration should, in due course, provide excellent opportunities for improved efficiencies, reduced costs and greater scope for the development and sale of new and improved products. The principal costs of the removal have been provided for out of taxed profits in the accounts under review.

Subject to economic conditions later in the year, present indications are that the current year will show an improvement in trading results.

	1965	1964
Group Profit before tax	£353,995	£426,955
after Depreciation	£89,895	£74,264
Tax	£180,000	£219,832
Dividends—Preference	£16,912	£16,912
Ordinary (1s. 1d. per share)	£87,941	£90,207
Net Current Assets	£466,947	£183,132
Group Net Assets	£1,512,719	£1,543,406

SABAH TIMBER CO. LTD

MR H. G. C. TOWNSEND'S REVIEW

The following is an extract from the Chairman's circulated statement:

Profit before taxation was £459,060. Although substantially lower than the exceptional 1963 figure, this was an excellent profit by any other standard, being the second highest in the Company's history.

After providing £198,966 for taxation and adding a surplus of £14,340 on disposal of fixed assets, there is a credit balance of £274,434 on the year's working.

The directors propose payment of a final dividend of 40 per cent, less income tax at 8s. 3d. in the £, a total distribution of 50 per cent for the year, absorbing £222,187 net. The comparable figure for 1963 was 48 per cent, but a special non-recurring bonus of 20 per cent was also then paid.

Log production totalled 10.3 million cubic feet, fractionally below the record figure of 1963.

Demand from our main Eastern markets was less buoyant than in 1963 and keen competition for the reduced demand brought the inevitable lower prices. In other markets sales and prices remained fairly stable.

Indonesia's confrontation policy fortunately did not interfere with operations, but armed guards have to be employed for security. Morale is high at all camps. Defence expenditure caused by confrontation has had as one inevitable result increased taxation.

In the current year we have acquired a further UK interest in a timber import and distribution company in which we have great confidence. While the main focus of the Company's business is and will remain in Sabah, it is to the obvious long-term advantage of shareholders to spread our risks by diversifying into territories where our timber experience can be applied to advantage.

Despite modest concessions made during the Committee stages of the 1965 Finance Bill it is clear that the abolition of overseas trade corporation status will operate to the Company's growing disadvantage and it will require progressively higher profits even to maintain the dividend now proposed.

The Annual General Meeting will be held in London on July 29th.

SIMMS MOTOR & ELECTRONICS CORPORATION LIMITED

MR G. E. LIARDET'S STATEMENT

At the Annual General Meeting of Simms Motor & Electronics Corporation Limited held on July 2nd at the Connaught Rooms, **Mr G. E. Liardet**, the Chairman, in the course of his circulated speech, said:

During 1964 Group turnover rose to a new high level, though Consolidated Profit before tax showed some decline on the previous year. Two factors have been responsible for this result, firstly the increased cost of our Research & Development establishment, though we regard this as an investment in the future, and secondly, the loss incurred by a subsidiary company.

Most of our Group Companies have made a contribution to the drive for more exports and our total exports have reached a record level.

The 1964 Group profit before tax amounts to £1,406,775 compared with the record figure of £1,557,904 achieved in 1963.

Taxation, which has the benefit of investment allowances, absorbs £696,500 and, after providing for the minority interest in N.S.F. and the South African subsidiary, the available balance for the year amounts to £670,547.

Your Directors recommend the payment of a final dividend of 9 per cent, which with the interim dividend of 5 per cent, is equivalent to 18.5 per cent on the capital before the scrip issue.

The surplus carried forward is £2,237,820 compared with £1,894,858 in 1963.

Due to national circumstances it is even more difficult than usual to forecast our results for the current year.

More and more cost is being loaded on to industry by reason of higher wages, shorter working hours, rises in material prices, Rates, National Insurance, Redundancy Pay, Petrol Tax, Car and Commercial Vehicle Licences, Postage and many other items, all of which must inevitably lead to higher selling prices, because there is a limit to which these costs can be offset by greater efficiency.

It remains to be seen whether these increased costs will price us out of the export markets which we have fought so hard, and successfully, to develop and to which we look for expansion of demand.

VOLKSWAGENWERK AKTIENGESELLSCHAFT WOLFSBURG

Summary of Annual Accounts for 1964

Balance Sheet December 31, 1964
(in Millions of DM)

Assets		Liabilities	
Property, Plant, Equipment and Investments		Capital Stock	600·0
Property, Plant and Equipment	1,685·9	Reserves	799·8
Investments	37·1	Undetermined Liabilities	
Long-Term Loans Receivable	36·2	Old Age Pensions	154·5
Inventories	506·0	Other Obligations	408·8
Trade Accounts Receivable	35·8	Long-Term Loans	216·8
Receivables from Subsidiary and Affiliated Companies	94·3	Trade Accounts Payable	429·8
Other Receivables (including Advance Payments)	161·9	Accounts Payable to Subsidiary and Affiliated Companies	39·3
Liquid Funds	373·4	Other Liabilities	161·3
		Net Earnings	120·3
	2,930·6		2,930 6

Statement of Earnings—Year ended December 31, 1964
(in Millions of DM)

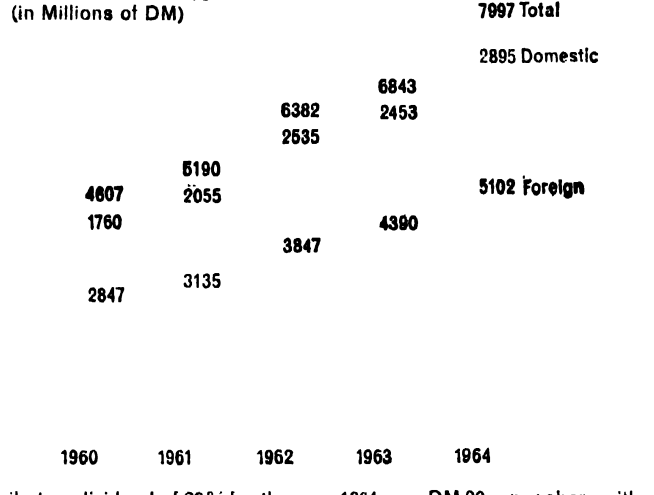
Expenditures		Income	
Expenditures for Raw Materials, Supplies and Outside Services	4,060·4	Sales	6,788·3
Wages, Salaries and Social Expenditures	1,147·4	Increase in Inventories and Material, Wages and Overhead Rates Capitalised as Additions to Plant and Equipment	139·1
Provision for Depreciation of Physical Plant and Write-down of Financial Investments	453·4	Income from Investments in Subsidiary and Affiliated Companies	17·2
Write-offs of Accounts Receivable (including Discounting of Long-Term Loans)	17·0	Elimination of Reserves (Undetermined Liabilities) no Longer Required	12·4
Taxes	652·4	Other Income	105·2
Other Expenses	472·2	Net Earnings Brought forward from the Previous Year	0·3
Additions to Reserves	141·2	Transfer from Reserves	1·8
Net Earnings	120·3		
	7,064·3		7,064·3

The unabbreviated version of the Annual Accounts for the Year ended December 31, 1964 has been accepted in full and certified by the Deutsche Revisions- und Treuhand-Aktiengesellschaft, Treuarbeit, Hanover, and published in the Official Gazette of July 2, 1965.

Significant Figures for 1964

VW-PRODUCTION	
in Germany	
Abroad	
Passenger Cars and VW Square Back Sedans	1,129,348
Trucks and Station Wagons	187,947
Passenger Cars	81,042
Trucks and Station Wagons	12,378
Total Production of Volkswagenwerk AG and its Subsidiary and Affiliated Companies	1,410,715
Average Daily Production of Volkswagenwerk AG and its Subsidiaries and Affiliates	5,819
VEHICLE SALES	
Domestic Production	1,315,424
Production Abroad	90,686
LABOR FORCE (at Year-End 1964)	
Volkswagenwerk AG and its Subsidiaries and Affiliates	104,778
Volkswagenwerk AG	88,126
INVESTMENTS OF VOLKSWAGENWERK AG	
(in Millions of DM)	
Investments in Property, Plant and Equipment and Financial Investments	
Financial Year	639·6
since Currency Reform	4,242·0

Trend of Consolidated Sales of Volkswagenwerk AG and its subsidiaries
(in Millions of DM)



The Annual Meeting held on July 1, 1965, has passed the resolution to distribute a dividend of 20% for the year 1964, i.e., DM 20,—per share with a par value of DM 100,—. Our Newsletter for VW Shareholders No. 10 contains further details about payment of the dividend and exemption from withholding tax.

Board of Directors (Aufsichtsrat) as at December 31, 1964 :
Dr. Dr. h. c. Hans Busch, Chairman ; Otto Brenner, Deputy Chairman ; Dipl.-Ing. Carlo Graaff, Deputy Chairman ; Dr. Josef Rust, Deputy Chairman ; Hermann Ahrens ; Hugo Bork ; Dr. h. c. Fritz Butschkau ; Siegfried Ehlers ; Mrs. Elgin Gärtner-Amrhein ; Hans Grimm ; Walter Haefner ; Prof. Dr. Karl M. Hettlage ; Heinz Hilbich ; Prof. Dr. Eduard Justi ; Dr. Horst Rheinfels ; Dr. Hermann Richter ; Peter Stroh ; Dr. Wilhelm Vallanthin.

Management (Vorstand) :
Prof. Dr.-Ing. E. h., Dipl.-Ing. Heinrich Nordhoff, Chairman ; Fritz Frank ; Dr. Kurt Haaf ; Hans Hiemenz ; Otto Höhne ; Frank Novotny ; Dipl.-Ing. Helmut Orlich ; Julius Paulsen ; Dr. Wolfgang Siebert ; Dr. Carl H. Hahn (deputy member since May 1, 1964).

WILLIAMS HUDSON LIMITED

PROGRAMME OF EXPANSION CONTINUES UNABATED

The Annual General Meeting of Williams Hudson Limited will be held on July 27th in London.

The following is the circulated review of the chairman, Mr L. A. Simpson.

Ladies and Gentlemen, the profit for the year 1964/1965 constitutes a record and on your behalf I would like to express our thanks to all those employed by the Group for their united effort without which this result could not have been achieved.

Accounts

Group Profit: The Group Profit before Taxation amounted to £826,588 compared with £657,664 in the previous year, an increase of £168,924. The profits arising in the UK improved by £99,096 and those in Canada by £69,828.

The Taxation charge, after taking full benefit of investment allowances, is £326,355 compared with £262,576 in the previous year and almost wholly arises in the UK.

The resulting Group Profit after Taxation has increased from £395,088 to £500,233 and, after deducting the amount attributable to minority interests in a subsidiary company, leaves an available profit for the year of £479,736. This amount your Directors recommend should be applied in the manner set out in their report, which includes a recommendation of a transfer to General Reserve of £200,000 and the payment of a Final Ordinary Dividend of 8½ per cent making a total of 14½ per cent for the year, compared with the equivalent total for the previous year of 12½ per cent. The balance of undistributed profits of £321,245 carried forward shows an increase over last year of £65,088.

Consolidated Balance Sheet: During the past year we have spent on capital expenditure £1,479,798 of which £1,208,447 was in the UK and £271,351 in Canada. After provision for depreciation of £595,085 there is a net increase of Fixed Assets of some £900,000. The expenditure in the UK is mainly due to payments on account of the building of the new bulk carrier and to the extension of jetties and oil storage facilities at Dagenham. In addition, we made an investment of £238,548 in respect of a 50 per cent interest in Williams Hay's Holdings Limited.

As at March 31st there were outstanding capital commitments in respect of expenditure already authorised amounting to £860,000 of which £732,283 related to the UK and included the balance of expenditure on the new ship. Since the end of the year the short-dated Government security has been realised and the proceeds of some £766,000 will be available to meet these commitments.

From the statement of Sources and Application of Group Funds submitted with the Accounts it will be seen that during the past year the total cash flow representing retained profit and depreciation amounted to some £963,000. As a result of the excess of expenditure over this amount of cash flow, the net current assets at March 31, 1965, amounted to £1,454,069, which were £841,683 less than the previous year.

Coal

An average winter resulted in no significant increase in sales to our industrial and merchant customers. Direct shipments, however, particularly to the Central Electricity Generating Board, have shown some increase.

Modifications are now in hand to our coal-handling plant at Paisley, Scotland, in order to provide a house coal concentration depot. This development is being undertaken with the enthusiastic help of the National Coal Board and British Railways.

Fuel Oil

Although our tonnage has expanded the market is still intensely competitive and shows little sign of improving. In order to provide scope for future expansion, I feel that it is essential not only to increase our sales territory, but also to market a wider range of petroleum products. These objectives do not, however, fit in with the pattern of our present suppliers and it becomes necessary for us to make additional purchases and to review our long-term arrangements. I am confident that these changes can be achieved without any inconvenience to our customers, but it may well mean a temporary check in the growth of this side of our business.

Storage of Bulk Liquids at Dagenham

As forecast, an increased tonnage of fuel oil and chemicals has been handled during the year. We are continuing to expand our capacity, particularly for chemicals, and as soon as the additional tanker jetty is completed, we shall be able to offer a greatly improved service.

General Cargo

The tonnage handled at Dagenham has been somewhat lower than last year, partly due to the effects of the 15 per cent import tariff. New methods of management control have been introduced, our sales effort is being intensified, and we look for improved results this year.

Dagenham Dock Industrial Estate

The new oil terminal built by the Regent Oil Company on our estate, to which I referred last year, has now been completed and as a result a considerable tonnage of fuel oil has been handled over our jetty.

Together with other local industrialists we are concerned with the inadequacy of the local road system to deal with the increasing number of vehicles, many of them carrying goods for export, and some eighteen months ago we engaged a leading firm of road traffic consultants to assist us when the time comes in discussions with the appropriate authorities.

New Jetties at Dagenham

The additional tanker berth capable of receiving vessels of up to 20,000 tons, to which I referred last year, will be completed by the end of this year.

One of the inshore jetties is being rebuilt and our small ship berths are being equipped with new 15/20-ton cranes.

Road Transport

Our general haulage business has expanded during the year and advantage has been taken of the revised regulations covering increased pay loads in the ordering of new vehicles.

Shipping

Deep sea freight rates were at a low level during the first half of the financial year, but since the autumn of 1964 there has been a gradual improvement which I hope will be maintained. All vessels have been fully employed throughout the year and profits were at much the same level as last year. Our new ship the *Hudson Light*, which was launched on April 5th, should be completed in July and will then start trading for the Central Electricity Generating Board under her seven-year charter.

Engineering

The standard of maintenance of our plant and equipment is being kept at a high level by our Engineering Service Departments. The Civil and Mechanical Engineering Departments have both been fully engaged on design and construction work in connection with our new jetties, on future developments, and also on outside contracts.

Vancouver Wharves Limited

As you will see from the Accounts the significant improvement in profits which I forecast last year has in fact taken place. In spite of the many difficulties involved, we have nearly completed at a cost of some Can.$5 million the first stage of a major expansion programme, which will provide additional facilities including those for the reception of cargoes of phosphate rock, the storage and loading away of an increased tonnage of potash, and the mechanical handling of paper and pulp. Negotiations are progressing satisfactorily through Canadian Brokers for long-term finance and in the meantime a temporary loan has been arranged with our Bankers in Canada subject to a guarantee by Williams Hudson Limited. The estimated cost of the whole programme is some Can.$15m.

It is most encouraging that the Canadian National Railroad has recently announced a Can.$27 million scheme for completion in 1968, which will greatly improve the rail access to the North Shore of Vancouver where our wharf is situated. In addition we have taken an 80-year lease on some 55 acres of adjoining land to the west of our site, which will provide extra storage accommodation and better road access.

The prospects for Vancouver Wharves are undoubtedly exciting and we look forward to improved results as our new plant and equipment is brought into use. Under the new Finance Bill money brought back from Canada by way of dividend, which will have been subject to

Canadian taxes—the present rate is 57½ per cent—will have its relief for UK taxes restricted to Corporation tax at, say, 40 per cent, and no relief will be obtained under the temporary overspill provisions because this is a relatively new enterprise. Nevertheless your Board feel most strongly that this type of enterprise is fundamentally sound and in the best interests of both your company and this country. We feel, furthermore, that no Government which is interested in a genuinely expanding UK economy, that is to say one which is using our home resources to best advantage and in addition allowing British enterprise abroad to bring home the harvest of adventure, can continue to penalise such undertakings.

Williams Hay's Holdings Limited

Shareholders will no doubt have seen in the Press the announcement of the formation in January this year of Williams Hay's Holdings Limited, owned jointly by The Proprietors of Hay's Wharf Limited and Williams Hudson Limited and formed to trade in fields in which the owners have mutual interests. As a first step, Williams Hay's Holdings Limited has acquired interests on the Continent, where we anticipate a considerable increase in trade, whether or not the Common Market becomes a reality.

As mentioned in the Directors' Report, two Stevedoring and Shipping & Forwarding companies have been acquired in the Port of Rotterdam on a basis which shows a reasonable return on investment under existing conditions. Additional premises and deep water berths being made available by the Port Authority in Rotterdam open up prospects for profitable expansion in this Port.

New Developments

Further staff have been recruited to undertake the market research and investigations required to enable the Group to pursue its policy of expansion.

Corporation Tax

It is extremely difficult at this stage to assess the full ramifications of the Corporation Tax. On the available evidence it would appear that for the year ended March 31, 1965, had Corporation Tax at the rate of 40 per cent been in force and assuming we had paid the same dividends and tax thereon, the amount retained in the business would have been reduced by some £50,000, of which about £30,000 would have been a decrease in benefit from Investment Allowances.

On the capital projects envisaged for the year ending March 31, 1966, a 40 per cent Corporation Tax will result in a reduction in benefit from Investment Allowances of approximately £100,000.

Future Prospects

Competition is increasing on many sides of our business and we have taken, or are taking, such steps as we consider necessary to improve efficiency. The present time is undoubtedly a difficult one not only for this company but for British industry generally and I feel that the results for this year may well be less favourable than the record results achieved last year. However, as I have indicated, our programme of expansion continues unabated and we have great hopes for the future.

U.K. OPTICAL & INDUSTRIAL HOLDINGS

MR G. C. D'ARCY BISS REPORTS RECORD RESULTS

The thirtieth Annual General Meeting of U.K. Optical & Industrial Holdings Limited was held on July 1st in London, **Mr G. C. D'Arcy Biss** (the Chairman) presiding.

The following is an extract from his circulated statement:

I am pleased to submit Accounts showing results for the year ended March 31, 1965, which are better than ever.

The profits of the ophthalmic group were good in all departments, and sales were again a record over any previous year. Costs have risen considerably and the effects of all of them have yet to be felt, but by exercising care and restraint excellent profits have been achieved.

The sales of the catering equipment and light engineering group were a record.

All sides of the Group's activities are optimistic for the future, and substantial extensions are being arranged to the factory premises at Lurgan and Hastings.

The profit of the Group before taxation amounted to £348,372, in respect of which provision has been made for taxation thereon of £187,609, leaving a net profit of £160,763 for the year. Your Board are recommending a final dividend of 8 per cent less tax, on the Issued Capital of the Company as increased by the 1-for-2 bonus issue made during the year, making a total dividend of 12 per cent less tax, for the year. This makes an effective increase to 19.2 per cent if a comparison is required with the total of 15 per cent paid for last year. The total net dividends paid and recommended for the year are covered 1.90 times by net profits.

Production of lenses, particularly bifocal, has increased very considerably. Export sales have again been substantial and are better than last year.

The improving trend for frames and cases has continued and a number of new styles have been launched with success. This has been reflected by a worth-while increase in sales and profits.

W. M. Still. Prospects are bright for the future and there is already a substantial order book.

The current year has started satisfactorily and I have no doubt that Group sales will continue to rise. Production costs are still rising but all in all the results next year should be comparable with those now before you It is not possible to predict the results which might arise if a free health service was introduced, but any effects should be beneficial. In view of the dividend cover the new Corporation Tax ought not to affect our dividend position.

The report was adopted.

ULTRAMAR COMPANY LIMITED

LORD TANGLEY'S REVIEW

The twenty-ninth Annual General Meeting of Ultramar Company Limited was held on July 1st in London. **The Rt Hon Lord Tangley, KBE, LLD** (the Chairman), presided and, in course of his speech, said:

The refining and marketing companies in Eastern Canada, the United States and the Caribbean all increased their refinery runs and their volume of refined products sales in 1964. Sales of refined products averaged over 47,000 barrels per day for the first half of 1965 compared with 42,000 barrels per day for 1964.

The Group's average crude oil production for 1964 was 14,900 barrels per day compared with 14,200 barrels per day in 1963. There is a gratifying increase in production in the first half of 1965 to about 18,000 barrels per day. This is due to the development drilling programme in the Oritupano Fields in Venezuela.

Our producing company in Western Canada is undertaking an exploration and development programme during the second half of 1965. We shall also be drilling a number of relatively shallow exploration wells in Newfoundland.

The Group continued to make good progress in its operations during 1964 and that progress continues in 1965. Financial results improved in 1964 and, despite continuing pressure on products prices, I expect to see a further gain for the year 1965. It is gratifying to see the improving results during the time the operating companies have built themselves into an integrated Group. Cash flow from operations for 1964 was £1,739,000, an improvement of £418,000 over 1963, of £736,000 over 1962, and of £1,081,000 over 1961.

I am sorry to have to tell you that despite the hundreds of amendments to the Finance Bill during the Committee stage the tax position as to our proposed distribution to stockholders is still not quite clear.

I am glad to say that the Government, in the Committee stage, has accepted an amendment the effect of which is that there would be no tax liability in the event the capital dividend is declared in General Meeting in accordance with a recommendation of the directors and the directors' decision to make that recommendation was, with the authority of the directors, publicly announced before April 27, 1965.

It remains to be seen whether we qualify for this relief.

I have to ask you therefore to be patient for a little longer. I hope that the position will be clarified during the Report stage which will enable us to proceed with the distribution. At best the Capital Surplus Distribution could be 9d. per stock unit, at worst it would not be less than 6d.

The report and accounts were adopted.

Binding Cases

Binding cases for THE ECONOMIST *are available from* EASIBIND LTD. *The cases are stiff, dark blue cloth covers, and are gilt-lettered on the spine; they provide an extremely effective and firm binding and will hold 13 issues of the normal edition together with the quarterly Index, or 26 issues of the air edition with two quarterly Indexes. The year can be stamped on the spine. The cost per case, post free throughout the world, is 14s. Orders, stating requirements clearly and enclosing a remittance, should be sent,* **not** *to* THE ECONOMIST, *but to—*

EASIBIND Ltd.

Eardley House, 4 Uxbridge St., Kensington, London, W.8 Park 0686 (3 lines)

ISTITUTO MOBILIARE ITALIANO

ROME, ITALY

Annual Meeting Held June 23, 1965

On June 23rd the Annual Meeting of the Stockholders of Istituto Mobiliare Italiano (I.M.I.) was held in Rome, with Mr Stefano Siglienti acting as Chairman, for the purpose of discussing the Balance Sheet for the Institute's 33rd Fiscal Year, ending March 31, 1965.

Chairman Siglienti read the Report of the Board of Directors, which raises some of the major problems connected with an industrial investment policy, under the present conditions of the Italian economy, and with the expansion and improvement of the Italian capital market.

After outlining the salient features of the evolution of the capital market and of the activities of the institutes specialising in industrial credit in 1964, the Report reviews the operations of I.M.I. during the 33rd fiscal year (April 1, 1964—March 31, 1965).

The unfavourable conditions of the Italian economy did not prevent the Institute from substantially increasing its activity in the financing of the Nation's industrial economy. The increases registered in both absolute and per cent terms, appear all the more significant as compared to the high levels already reached in the past.

As regards the sources of funds, the Institute —despite the difficulties experienced by the bond market, particularly in the period corresponding to the first half of the Institute's Fiscal Year—sold bonds totalling 233.1 billion Lire, as compared to 201.9 billion Lire in the preceding year. In this connection, the Report mentions the outstanding success scored with both private and institutional investors by the two public issues of "1964 Special Series" bonds, featuring for the first time in Italy a rising interest rate and repayment above par value.

Thanks to the prestige enjoyed by the Institute abroad, the raising of funds on the home market was supplemented by loans in foreign currencies contracted on the US and European markets, in an amount equivalent to over 86 billion Lire.

As regards the lending operations, the Institute's acivity, net of financial credit extended to developing countries, can be summarised as follows (comparisons relate to the preceding year): loan applications received, totalling 337.2 billion Lire, with a 5.8 per cent reduction due to a decrease in demand from the public utilities sector, only partially offset by the 18 per cent increase in demand from the industrial sector; finalised transactions totalling 350.9 billion Lire, with a 23.3 per cent increase; transactions outstanding as of the end of the year totalling 1,569.5 billion Lire, with a 15.4 per cent increase, or 16.5 per cent for ordinary transactions only.

Concerning the finalised transactions the Report stresses that in the 33rd Fiscal Year the Institute has given special attention to the operations pertaining to investments already decided on in preceding years and on the way to completion, as well as to projects for the technological renovation of plants and equipment.

Industry received loans totalling 256.7 billion Lire (+15.5 per cent) or 73.1 per cent of the total; public utilities received 73.6 billion Lire or 21 per cent of the total; the balance went to shipping and sundry activities.

In particular, the industrial sectors which received the largest amounts were: mechanical, steel, chemical (including oil refining), processing of non-metal ores and paper; among utilities, mention should be made of the substantial resumption of loans to the electric power industry.

A geographic breakdown of loans extended shows the following figures: North-West Italy 164.8 billion Lire; North-East and Central Italy 71.2 billion Lire; Southern and Insular Italy 114.9 billion Lire.

As of March 31, 1965, the transactions outstanding, excluding 37.2 billion Lire in financial credit to developing countries, included 1,433.4 billion Lire in ordinary operations (91.3 per cent of the total) and 136.1 billion Lire in special operations (8.7 per cent of the total).

Considering in particular the sector of export credit for capital goods and services, we find that during the year the Institute signed loan agreements totalling 41 billion Lire. Allowing for the repayments received in the meantime, this has raised the amount of transactions outstanding to 106.8 billion Lire (+15.2 per cent).

These data do not include the activities of the "Maritime Credit-Autonomous Section of I.M.I.," which in its third year of life extended loans totalling 29.2 billion Lire (as compared to 16.3 billion Lire in the preceding year) raising the amount of transactions outstanding to 79.7 billion Lire.

The Report also mentions that towards the end of the year I.M.I. has received responsibility for the management of the 100 billion Lire fund for the financing of small and medium manufacturing industries. Because of the urgent nature of the recession-control purposes of the Fund, this responsibility has required and requires of the Institute a major effort. Applications for loans from the special Fund were about 1,300 in number (totalling over 235 billion Lire); 600 of these applications have been decided upon by the appropriate Body, which so far has approved loans totalling about 50 billion Lire, part of which already covered by loan agreements.

Finally, the Report reviews the situation as it appears from the Institute's statement of assets and liabilities, which shows an increase in reserve funds from 67,931 to 77,454 billion Lire, while profits, increased to 5,145 million Lire, are reflected in the year's profit and loss statement. The Board of Directors has proposed the following allotment of profits: 3,945 million Lire to reserve funds (thus increased to 81,399 million Lire) and 1,200 million Lire to the shareholders (being the equivalent of an 8 per cent dividend on paid-in capital).

After the reading of the Report and Statement by the Board of Auditors, the Meeting unanimously approved the Report of the Board of Directors and the said Auditors' Statement and decided in conformity with the Board's recommendations.

SUMMARY BALANCE SHEET AS OF MARCH 31, 1965
(33rd Fiscal Year)

ASSETS		LIABILITIES	
Subscriptions receivable on capital stock	Lit. 35,000,000,000	Subscribed capital stock	Lit 50,000,000,000
Securities owned and cash on hand	„ 177,042,323,386	Reserve funds	77,453,588,877
Loans and sundry credits in Lire and foreign exchange	„ 1,524,155,078,078	Bonds in Lire and foreign exchange	„ 1,195,786,886,000
Outstanding guaranties	„ 9,196,829,184	Loans and sundry debts in Lire and foreign exchange	391,975,735,703
Miscellaneous	„ 41,726,987,742	Outstanding guaranties	9,196,829,184
		Miscellaneous	57,563,512,980
		Balance of year's profits	5,144,665,646
	Lit 1,787,121,218,390		Lit 1,787,121,218,390
Contra accounts:		Contra accounts	
Securities and bills held and on deposit	„ 588,810,963,881	Securities and bills held and on deposit	„ 588,810,963,881
Special and fiduciary operations	„ 359,541,156,512	Special and fiduciary operations	„ 359,541,156,512
GRAND TOTAL	Lit.2,735,473,338,783	GRAND TOTAL	Lit.2,735,473,338,783

STATEMENT OF INCOMES AND EXPENDITURES AS OF MARCH 31, 1965

INCOMES		EXPENDITURES	
Interest on loans	Lit. 71,037,576,295	Overheads	Lit. 9,628,965,164
Interest on accounts current and securities	„ 6,157,096,071	Taxes	„ 5,173,078,512
		Interest paid on bonds	„ 62,226,358,086
		Depreciation	„ 1,021,604,958
			Lit. 72,050,006,720
		Balance of profits	„ 5,144,665,646
	Lit 77,194,672,366		Lit. 77,194,672,366

THE REDIFFUSION GROUP

NEW PHASE OF DEVELOPMENT IN WIRED T.V. RECEPTION

REVIEW BY MR JOHN SPENCER WILLS

THE THIRTY-SEVENTH ANNUAL GENERAL MEETING of Rediffusion Limited will be held on July 28th at the Connaught Rooms, Great Queen Street, London, WC2.

In his review, circulated with the Report and Accounts for the year ended March 31, 1965, **Mr John Spencer Wills**, Chairman and Managing Director, said:

The Group trading profit for the year, at £8,100,000 was £268,000 more than last year's. The increase was well short of the amount needed to cover the increase in depreciation and general contingencies reserve, occasioned by increased capital investment, and the expected reduction in our trade investment income. But a reduction in the tax charge for the year, notwithstanding an unforeseen increase in the standard rate of income tax, has left the parent company with a profit of nearly £2,707,000 after tax, which is £186,000, or more than 7 per cent, better than last year's.

The reduction in our income from trade investments results entirely from the Government levy on the advertisement revenue of the United Kingdom television programme companies, which now takes a huge slice off the pre-tax profits of our principal associated company. Two years ago, when our Group profit before taxation was £4,073,847, I expressed the belief that any reduction in our income from this cause would be made good by the growth of the rest of our business. This year, our Group profit before taxation was £4,240,498.

All our main operations are doing well and growing steadily. Some of them are growing very fast, but in our business growth involves heavy capital expenditure which is slow to produce a satisfactory return. It is in these initial lean years of an expansion programme that capital allowances for tax, and particularly the investment allowance, achieve their real purpose.

BUILDING FOR THE FUTURE

The Rediffusion Community Service—Our main business, which is the provision of wired systems of programme distribution, is entering a new phase of development which we believe to be of great significance. In the past, companies like ours have erected their network in a town and then offered their service to individual householders. Now a new trend is setting in, pioneered by Rediffusion. Wired reception is being made available to whole communities, on a bulk basis and on bulk terms.

The extraordinary speed with which the demand for television has grown, the multiplication of programmes, and the duplication of line standards, have exposed the difficulties of wireless reception. Where wired services are not provided, every householder has to provide himself with individual receiving aerials, which are often complicated, expensive and unsightly. Even with this apparatus the quality of reception often leaves much to be desired. Forward-looking housing authorities, both public and private, have shown great interest in the new Rediffusion Community Service, by which wired reception points are installed in every dwelling, along with the other main services. The need for ugly and often inefficient aerials is thereby eliminated.

The prices we have been able to quote for the Rediffusion Community Service have been—and, indeed, have to be—very competitive. They are much lower than our standard charges to individual householders, because overhead costs are reduced, especially when the estate is planned with ducts to receive our cables. The total cost is divided between all householders. They enjoy first-class reception of the vision and sound programmes and, because they can use a cheaper set, containing fewer valves, the cost to them is lower than could possibly be achieved by individual reception arrangements.

As with all Rediffusion wired services, no restriction whatever is placed on the householder's choice of a television set. However, the specially designed set, which is less complicated, more reliable and much cheaper, is the set that ought to be used. These sets are made in variety by many of the principal makers, and they can be bought or rented from Rediffusion or from other local dealers. They have the further advantage of providing sound radio programmes as well, with VHF fidelity, a feature which involves extra cost when added to ordinary television sets.

Under contracts we have secured since the Rediffusion Community Service was first made generally available, early in 1964, we have already undertaken to wire more than 100,000 homes—some existing, some under construction, some still to be built—and the pressure of enquiries is such that we have established a new central division to assist our regional companies, which carry out this work. But in all these big contracts there is an initial period during which the very large capital expenditure does not produce a return.

The delay in obtaining a revenue return on capital invested has marginally reduced the profitability of our regional companies in the United Kingdom during the past year; and we expect the effect to continue in the current year. We are investing heavily in the continual modernisation of our existing networks, in the Rediffusion Community Service, and in the establishment of our television set rental and retail business in parts of Britain where we have not previously operated. All these developments are complementary, and we do not doubt that, in the long run, they will produce good results.

INTERNATIONAL TRADING

As a whole, our businesses outside the United Kingdom had a better year, but I have stressed before the conflicting problems involved in investment abroad. Rediffusion's contribution to British exports is twofold; for not only have we built up business for ourselves, but, by establishing commercial sound and television broadcasting services in other countries with developing markets, we have provided, in those countries, entirely new and very effective advertising media of which British exporters have made good use.

Once again our export effort shows an improved result. Revenue from the export and overseas operations of the Group was £8,459,000, an increase of £573,000 over the previous year. Once again more than £3 million came from physical exports and the balance from our operations in other countries.

After reviewing the Group's individual businesses throughout the world, the Chairman continued:

UNITED KINGDOM OPERATIONS

Our operations in the United Kingdom continue to show every sign of satisfactory growth. As I have already explained, the only reason for a marginal reduction in profitability has been the lack of an immediate revenue return upon investment for future expansion. As a part of that expansion we have opened many new rental and retail outlets in major centres, not only in England and Wales but also in Scotland, a country in which we previously had no outlets.

THE FUTURE

I hope I shall have sympathy in my difficult task of predicting the trend of the current year. Many factors will militate against an improved result. The levy on television programme companies' revenue, which was in operation for only eight months of the last financial year, will affect all the income we shall receive this year from our principal associated company, Rediffusion Television Limited. Apart from this, we now face a new pattern of company taxation which, at our present levels of profit and distribution, will impose a much heavier burden upon us. Increases in costs continue and another demand for an improvement in the wages and conditions of our United Kingdom employees is under consideration. The recently tightened restrictions on hiring and hire purchase must have a dampening effect, at least temporarily, on our business. Yet we need to continue, with courage but with caution, the capital investment which is necessary to the long-term expansion of the Group's many businesses.

On the brighter side, every one of our businesses, with relatively minor exceptions is progressing satisfactorily. Our main business in the United Kingdom seems to be entering upon a very hopeful phase of development. For at least another year we shall not have to ask stockholders to put up cash for expansion, because the cash we received from the liquidation of Associated-Rediffusion will cover more than half our budgeted capital expenditure this year, and we expect to provide the rest out of revenue.

In all these circumstances, I have to say that the company will not be doing badly if it produces results as good as the past year's.

The Chairman concluded his Review with thanks to the directors and employees of all Rediffusion companies for another year of effort and achievement.

A copy of the Accounts and of the illustrated booklet containing the Chairman's Review in full can be obtained on application to The Secretary (Econ.), Carlton House, Lower Regent Street, London, SW1.

Montagu Trust
LIMITED

The Annual General Meeting was held on 9th July in London. The Statement by the Chairman, Mr. Louis Franck, and the Accounts for the year ended 31st March, 1965, show, inter alia:

Profits & Dividend

The trading profits of all sections of the Group increased over the previous year and, although the increase in taxation means that a larger share was eaten up by income tax, nevertheless substantially increased net profits remain, even after an increased transfer to inner reserves.

In view of the increased profits shown, the Directors feel justified in recommending that the dividend for the year 1965 should be increased from 21% to 24% (less tax).

Banking Business

Samuel Montagu had a successful year. The uncertainty and changed political scene have resulted in a very busy period for the Foreign Exchange, Bullion and Money departments. Furthermore, the New Business and Company Advisory Department has continued to expand.

Since the end of the year under review, all the above departments have continued at their high level of activity, and the acquisition of a minority stake in a French private bank, Odier, Bungener, Courvoisier & Cie has been announced. Samuel Montagu also led a Consortium to place a Dollar Loan for the Belgian Régie des Télégraphes et Téléphones. The issue of a new type of Investment Trust, Dualvest, with two classes of shares, has been well received, and provides a unique service for the investing public.

Guyerzeller Zurmont Bank A.G., Zurich, had a successful year, with increased profits, and the prospects for the current year are also most encouraging.

Insurance

Results of the Insurance Group showed another definite advance. The business of Bland, Welch & Co. Ltd. continued to expand and its profit shows a substantial increase. In spite of the difficulties of underwriting being experienced by insurance companies, River Thames Insurance Co. Ltd. maintained its strong position.

The close attention promised last year in relation to the non-marine account has taken place and a reorganisation of the non-marine underwriting has been effected. As from the middle of this year, a new non-marine account will be underwritten for the River Thames Insurance Co. Ltd. by the Excess Insurance Co. Ltd.

1964 saw the opening of Bland, Welch (Proprietary) Ltd., Cape Town, and other overseas connections have been and are being established.

Prospects

It is quite impossible to forecast at this stage the results for the current year. In the present uncertain political and economic atmosphere, one can only hope that it will prove possible to report further expansion.

Nevertheless, the uncertainty which has resulted from the new system of taxation in this country, and the Government's measures to deflate the U.K. economy, have come at a time when Europe is feeling the effects of the external credit squeeze by America. There must be a danger, if this is overdone, of an international recession and consequent repercussions on the Western economies of the world.

It is hoped, however, that the Group's cautious policy in the past and its satisfactory liquid position will enable us to report favourably in due course.

Summary of Results

Group Net Profit after tax	**£838,449**
Dividend (proposed 24% less tax)	**£404,212**
Group Assets (gross)	**£151,243,549**

FIRTH CLEVELAND LIMITED

Results for 1964 constitute a record . . . REPORTS MR. C. W. HAYWARD

From the Accounts

For the year ended 31st December	1964 £	1963 £
Profit before Tax	3,440,809	2,534,731
Profit after Tax	1,639,626	1,210,643
Available for Shareholders ...	1,620,218	1,184,379
Dividends	826,476	669,934
Net Assets	13,684,127	12,967,210

1964 RESULTS The Group's results for 1964 constitute a record and reflect a very satisfactory improvement in our operations. Trading conditions generally were good and our Industrial section took full advantage of opportunities in the industries we serve. Profits from our Retail Division improved, in spite of increasing competition.

The nucleus from which our Group has grown was formed over 30 years ago and I am confident that in Firth Cleveland we have a sound base, well managed with a spread of interests—many of which are interdependent. Several new companies have joined the Group during the past year and I am encouraged by the number of new projects within our activities that show promise of exciting things to come.

Total turnover was £37¼ million—an increase of over £6 million on last year's figure. Profits, before tax, amounted to £3,440,809. Of the net £1,527,474 available to Ordinary shareholders, £778,849 is being paid by way of dividends totalling 35%, the highest in the history of the company.

THE FUTURE In the current economic climate it is difficult to give shareholders a view of the Group's results for 1965. We are not yet aware of the full effect of the Budget and its reactions on the industries we serve. Preliminary results for the first quarter of 1965 show a satisfactory improvement on the corresponding period last year and provided trading continues at current levels throughout the year, I would expect the Group's profits to show further growth.

ENGINEERING DIVISION
Firth Cleveland Fastenings Ltd.
Firth Cleveland Extrusions Ltd.
Firth Cleveland Tools Ltd.
Keeton, Sons & Co. Ltd.
Landmaster Ltd. Stenor Ltd.
Firth Cleveland Fans Ltd.
Forbros (Products) Ltd.
Homemaster Products Ltd.

STEEL DIVISION
Firth Cleveland Steel Strip Ltd.
The Tenuous Steel Co. Ltd
J. J. Habershon & Sons Ltd
George F. Homer (Redditch) Ltd.
The Firth Co. Ltd.
Richard Hill Ltd.
Firth Cleveland Reinforcements Ltd.
The Sheffield Wire Rope Co. Ltd.
Tyne Wire Ropes Ltd.

LEAD DIVISION
British Lead Mills Ltd.
British Lead Alloys Ltd.
R. L. Roberts & Son Ltd
Holman Michell & Co. Ltd.
Brunton & Co. Ltd.
Seculate Ltd Sunpak Ltd.

RETAIL DIVISION
Broadmead Ltd. Escott Bros Ltd.
Civic Radio Services Ltd.
Max Stone Ltd.
Suburb & Dorfman Holdings Ltd.
Certon Ltd.
Stores Trust Ltd.
Broadmead Rentals Ltd.
Civic Rentals Ltd.
Rental Collections Ltd.
Wolfe & Hollander Ltd.

A copy of the full report is available from the Company Secretary

FIRTH CLEVELAND LIMITED
STORNOWAY HOUSE, CLEVELAND ROW
ST. JAMES'S, LONDON, SW1

THE REINSURANCE CORPORATION

CONTINUATION OF DIFFICULT CONDITIONS

The forty-sixth Annual General Meeting of The Reinsurance Corporation Limited will be held on July 23rd in London.

The following is an extract from the circulated statement by the chairman **Mr Jonathan Backhouse.**

I regret that we should again be submitting accounts showing an unsatisfactory trading result.

The causes of our recent bad experience in nearly all branches of reinsurance were explained to you in my Statement a year ago and although there is an improvement in the overall result by comparison with last year's figures, nevertheless the sums transferred to the Underwriting Accounts are considerably larger than the gross interest and dividends which derive mainly from the investment of Insurance Funds and Technical Reserves.

Insurance Companies in the United Kingdom, in many European countries and in Canada, in all of which territories we have important business connections, have been confronted by underwriting problems necessitating the introduction of increased rating schedules.

This increase of rates will generally apply to the heavier and more hazardous risks, which are those usually reinsured, so that this rating revision should eventually inure to our benefit. There is always a time lag, however, before changes of fortune are reflected in the annual accounts of a Reinsurance Company and increases may take a year or more to find their expression in our trading results.

PROPORTIONAL

The greater part of the increase of premiums —exceeding £500,000—is derived from Accident business, which forms the larger part of this Account.

In my Statement last year I referred to the steps taken to stabilise the premiums of the Accident Account with a view to avoiding the strain of financing the normal margins in reserve provisions. This unexpected increase is largely due to many contracts other than Motor producing a greater volume of Income than was originally estimated.

Following a comprehensive reappraisal of our portfolio and the cancellation of some contracts with overseas companies at the end of last year, substantial premiums have been eliminated, mostly relating to Motor business.

The Accident Account now consists mainly of a wide range of miscellaneous risks. These are not without their special problems and dangers, but there is certainly more reason to expect that informed appreciation and careful selection of business will lead to satisfactory trading.

The Fire premiums have increased by some £86,000 and there is a welcome improvement in results after the shock of the heavy loss incurred in the previous year.

EXCESS OF LOSS

Shareholders may wish to be reminded that a calculated estimate is made of the cost of running off each underwriting year, the Fund representing the total amount required to meet not only those claims already reported but also those which experience teaches us may yet be notified. The reserves set up for past underwriting years have on the latest calculations proved fully adequate.

The maintenance of this Provision for Outstanding Claims at the required level has necessitated the transfer from the Profit and Loss Account of £170,000. The rising curve of inflation, higher costs and other problems to which I referred last year continue to affect our Excess of Loss Account.

MARINE

The 1961 Account made a poor start, as I mentioned last year, owing to various major casualties, and this has now been closed with a loss.

The subsequent two years are not looking at all satisfactory at the present time and the figures are adversely influenced by the hull contracts of certain of our Continental Ceding Companies, in which we have participated over many years. In the circumstances it has been necessary to make reductions in some and to terminate a number of other contracts from the end of 1964.

The adequacy of the Fund is calculated each year on collated information, and having regard to the present trend of experience the decision has been taken to transfer to this account the sum of £100,000.

PROFIT AND LOSS ACCOUNT

The gross Interest and Dividends total £524,730, an increase of £54,973—almost 12 per cent—compared with the previous year. A recovery of United Kingdom Taxation amounted to £20,000.

On balance there is some improvement in the underwriting results, but they again show losses requiring the transfer of substantial sums from the Profit and Loss Account. To meet these losses the Directors have transferred from the Investment Reserve the sum of £350,000, the greater part representing a profit resulting from the sales of investments during 1964, the balance being the remaining part of the profit realised from sales made during the year 1963.

Your directors recommend that the dividend for 1964 be reduced to fourpence per share.

BALANCE SHEET

During the early part of the year purchases of equities were made. There was a steady appreciation until the early autumn in the value of our portfolio of Ordinary Shares and it was decided to consolidate part of the profits obtainable.

The sales realised a profit of £308,637 for the year which was placed in the Investment Reserve. The proceeds from these sales were reinvested partly in fixed-interest securities and the balance lent to Local Authorities on short-term deposit.

I am again pleased to be able to report that notwithstanding the realisation of profits during the past two years, the Market Value of our securities not only as at December 31st last but also at the time of writing this Report is considerably higher than the Book Value.

It will be observed that the Share Capital and the Revenue Reserves amount to £1,096,713. The Insurance Funds and the Estimated Outstanding Claims on Proportional Reinsurances have been realistically assessed and at a total of £11,006,351 are believed to represent strong financial coverage of the company's commitments.

FORTE'S (HOLDINGS) LIMITED

The Annual General Meeting for 1965 of Forte's (Holdings) Limited was held at the Criterion, Piccadilly, London, on July 6th.

	1964/5	1963/4
Group Trading Profit after deduction of depreciation and amortisation	£2,020,187	£1,891,793
Profit after interest, taxation and minority interests ...	£ 769,338	£ 872,829

A final dividend of 13 per cent on the Company's Ordinary and "A" Ordinary Shares, making a total of 22 per cent for the period was approved.

In his Statement to Shareholders the Chairman, **Mr Charles Forte,** said:

"Trading profits for the first five months to the middle of June of our current financial year have been better than last year and, in fact, are in excess of our forecasts made last January.

The fixed assets of the Group comprise land and buildings and plant and equipment totalling over £20,000,000 and constitute a very solid basis for the future of our business. We have a further asset of incalculable value in the experienced staff and management who continue giving of their best so that the results may be raised to an ever increasing level, which, given favourable national economic conditions, we shall achieve."

THE METAL BOX COMPANY LIMITED

REVIEW BY THE CHAIRMAN

The company has had a very good year. The income from sales was £128,071,000, which is £11,479,000 more than last year.

The trading profit was £12,269,000, which is £2,111,000 more than last year.

The net income of the company is £4,920,000 compared with £4,464,000 last year. This increase enables the directors to propose a final ordinary dividend of 7½ per cent, making a total of 12½ per cent less tax on a capital 25 per cent greater than last year's.

OPERATIONS OVERSEAS

The overseas company had a splendid year. The trading outlook is good but the possibility of new Finance Act provisions restricting developments makes the prospect ahead rather obscure.

Exports: The value of export sales in the year under review rose to a new peak of £6.7 million, a handsome 17 per cent more than in the year before. There were particularly significant increases in the sales of aerosol cans, highly decorated boxes and can-making machinery. We are making determined efforts to maintain this progress. In addition, we are seeking all the time to help our customers in the export of their goods and so to increase the indirect export of our containers.

THE OUTLOOK

Steel Nationalisation: As one of the largest users of steel in this country we are naturally concerned about the proposal to nationalise the steel industry. The White Paper gives no guidance on how the industry will be organised but it is widely believed that the intention is to merge all the South Wales plants under one management. There are only two suppliers of tinplate, both in South Wales. We have worked closely in research and technical development with them for many years.

Although there is no competition in tinplate prices, the demands of our industry for quality and service introduce a competitive element in the efforts of our suppliers, a stimulus to increasing efficiency which would be lost if the competing organisations were merged under a single management.

Taxation and the Balance of Payments: The Finance Bill is still under discussion and up to the time of writing little has happened to brighten the taxation outlook.

In the accounts under review the amount set aside for UK taxation is £3,468,000. We estimate that had the provisions of the Finance Bill applied to these accounts, on the basis of corporation tax at 40 per cent, an additional £1 million would have been required.

It may be that some concessions will be made by way of additional relief for capital expenditure, but if they are not, continuing taxation on this scale could diminish the rate of growth of the company at home and overseas, modify the pattern of its activities, and reduce its contributions, direct and indirect, to the credit side of the balance of payments account.

The direct contribution, in the fifteen-year life of The Metal Box Company Overseas Ltd., has been £50.2 million. In the same fifteen-year period the value of the tinplate exports to our overseas interests was about £70 million. It is difficult to see the merit of a taxation system which would adversely affect these contributions by your company to the national economy, slow down its technological progress and restrict the part it plays in the economies of the developing countries.

SAUNDERS VALVE COMPANY

A RECORD YEAR

INCREASED NET SALES

MR P. T. STEPHENS ON CURRENT YEAR'S PROSPECTS

The Annual General Meeting of Saunders Valve Company Limited will be held on July 29th in London.

The following are extracts from the Statement by the Chairman, Mr P. T. Stephens, circulated with the report and accounts:

This has been a record year for the Company as could be confidently forecast at the time of our half-yearly statement. The consolidated profit of the Group was at £630,226 some 17 per cent higher than last year. After deducting taxation of £311,000 and minority shareholders' interests of £10,614, there was a net consolidated profit of £308,612. Including the interim dividend already paid a total dividend for the year of 16 per cent less income tax is recommended at a net cost of £142,875.

These record profits came from Group net sales 22 per cent more than in the previous year. Thus there may be some disappointment that these record sales did not in fact produce a greater percentual profit increase. Increasing manufacturing costs were responsible for the lower profit ratio these results indicate.

CONSTANT VARIATIONS IN RATE OF PROFITABILITY

Half-yearly profit statements bring more clearly to the attention of shareholders the constant variations in the rate of profitability which are bound to occur in the affairs of any manufacturing business for reasons such as those mentioned above. Profitability is, of course, affected not only by the variations in manufacturing costs, but also by variations in selling prices. Although an increase in the former may often be used as the excuse to customers for an increase in the latter, in the long run prices are and always will be settled by the laws of supply and demand. There is no guarantee that because costs have risen prices must, therefore, follow the same course. Over the years the prices of Saunders products have risen substantially less than the direct manufacturing costs of their production.

Industry would have much to gain from the successful introduction of a National Incomes Policy, but it would be over optimistic to expect more from the recently established National Board for Prices and Incomes than a tendency to delay the tempo rather than determine the effect of economic forces on the level of both wage rates and prices. In a managed economy it is certainly no alternative to sufficient fiscal control to keep overall national demand and supply in balance.

This Company today suffers from the results of an over-heated national economy. We have a substantial order book from both home and export customers and current labour shortages at all our factories. We are, therefore, not able to make the best use of existing production facilities. Overall economic forces will resolve this dilemma in the coming months.

SALES AGAIN INCREASE

Sales of diaphragm valves increased during the year by 19 per cent which followed an increase of 21 per cent in the previous year. 58 per cent of last year's sales of diaphragm valves from the Cwmbran factory were exported, and the growth of demand from abroad has continued. Once again sales to Europe have increased and this is particularly due to expansion in the EFTA countries.

Once again it is necessary to consider substantial factory extensions at Cwmbran, and these are now being planned. In order to provide for further expansion in the future we have purchased a seven-acre industrial site nearby. We have no immediate plans for its development, but it is a desirable insurance for our future growth at Cwmbran.

At Hereford satisfactory results were obtained. Aircraft business was well maintained, and a substantial advance in Sabal sales was achieved.

Overseas our wholly-owned subsidiary Saunders Valve (Nederland) N.V. doubled its sales during the year with a corresponding improvement in profitability. During the year further manufacturing operations, notably the rubber lining of valve bodies, have been successfully transferred to the Leeuwarden factory, and others will follow.

Production at the new factory at Steeledale of our South African subsidiary Vivian-Saunders (Pty.) Ltd. commenced during the year. A satisfactory start has been made in building up and training a labour force.

ESTABLISHING OVERSEAS MANUFACTURE

We expect to make further progress in establishing overseas manufacture during the current financial year.

During the year a satisfactory start has been made by companies in both USA and Canada established jointly with Hills-McCanna Company of Chicago for the sale from Cwmbran of a range of diaphragm valves in North America under the trade mark "Trans-Val." We expect further progress during the current year by these companies in which we hold a 50 per cent interest.

We have recently agreed with M. B. John & Hattersley Limited to modify our licence in Australia to give a greater degree of freedom to both sides. This will involve a new licence to their existing sub-licensee, B. C. Richards & Co. Ltd. of Brisbane, who manufacture our Sabal range of industrial ball valves for Australia, and who have made outstanding progress during the last year.

Our licence to Societe du Carburateur Zenith for the manufacture of Saunders aircraft valves in France has been re-negotiated and extended for a further ten years. The new Agreement recognises the growing collaboration between this country and European aircraft manufacturers for joint ventures in this industry. Substantial orders have already been received for valve equipment for the Concord.

The catalogue of activities mentioned above will obviously involve your Company in substantial capital expenditure. However, we are satisfied the facilities available to us are adequate to finance these further ventures, and

no funding operation is necessary or contemplated at the present time.

CURRENT YEAR'S FULL ORDER BOOK

We start the current year with full order books. The economic and political future is obviously obscure, and any substantial change in industrial activity could affect our results. However, as always our operations are well spread and we, therefore, remain reasonably confident. It must, however, be remembered that our overseas interests are at the best now tolerated rather than encouraged by the changes in taxation announced by the present administration.

Our results are as always dependent on the loyalty, skill and enthusiasm of all our staff and work people to whom on behalf of shareholders I pay tribute.

600

Mr. Cyril M. Cohen reports

RECORD PROFITS AND TURNOVER

The Directors Report & Accounts for the year to 31st March 1965 will be put before the Members at the forty-first Annual General Meeting to be held at Grosvenor House, Park Lane, London, W.1 at 3 p.m. on 29th July 1965.

THE GROUP ACCOUNTS SHOW THAT:

- Group Turnover was £44,529,000 – an increase of 21% on previous year
- Profit before taxation was £2,554,000 – an increase of 68% on previous year
- Net ordinary Dividend was £469,000 – an increase of 25% on previous year
- Net profit retained was £838,000 – an increase of 83% on previous year
- Group Exports increased by 25%

EXTRACT FROM THE CHAIRMAN'S STATEMENT:

- **Outlook** 'The budgeted profit for the current year shows a satisfactory advance on the excellent one for the year under review. I propose to issue an Interim Report towards the beginning of December to acquaint you with how we are faring.'

THE GEORGE COHEN 600 GROUP LIMITED

A copy of the full report including the Chairman's Statement can be obtained from The Secretary, The George Cohen 600 Group Ltd, Wood Lane, London, W 12.

THE INVESTMENT TRUST CORPORATION

The seventy-seventh Annual General Meeting of The Investment Trust Corporation Limited was held on July 1st in London, **The Rt. Hon. Lord Latymer (the Chairman) presiding.**

The following is an extract from his circulated statement:

The gross revenue for the year ended May 1, 1965, amounts to £2,055,904, an increase of £206,217 over that of the previous year. The earnings on the Ordinary capital are equivalent to 22.9 per cent but approximately 0.7 per cent of this is accounted for by the increase in the standard rate of income tax. Last year earnings were 19.4 per cent.

Your directors now recommend a final dividend of 13 per cent making a total dividend of 18 per cent for the year. Last year a dividend equivalent to 15½ per cent on the present Ordinary capital was paid.

A valuation of the investments at May 1, 1965, totals £37,859,003 compared with £37,879,543 on May 1, 1964, and after adjustments for Current Assets and Liabilities total net assets are £37,802,055 against £37,592,008 the previous year.

The geographical classification of our investments shows that 45.2 per cent of the portfolio is in United States and Canadian investments. The proportion has risen from 41.6 per cent last year and is due to the relatively superior market performance of our North American holdings.

Subject to general conditions we hope to be able to maintain the present rate of dividend for the current year.

The report was adopted.

BANQUE NATIONALE POUR LE COMMERCE ET L'INDUSTRIE

National Bank for Commerce and Industry

Registered Office:

2/16 Boulevard des Italiens—Paris

1,350 branches, agencies and offices in France, overseas territories in the franc area and abroad

The accounts for the fiscal year 1964, approved by the Banks' Control Commission at its meeting of June 9, 1965, show, after deduction of general costs, amortisations, provisions for various risks and other charges, a net product of F. 6,745,439.72 against F. 5,656,796.16 in the previous year.

The allocation made to each receiving share has been fixed at F. 1.125 gross, exactly the same figure as last year. This sum will be paid on July 1st next, and will amount to F. 0.99 net, after deductions for taxes.

ROADS RECONSTRUCTION LIMITED

(Quarry Owners and Civil Engineering Contractors)

RECORD PRE-TAX PROFITS

The thirty-first Annual General Meeting of Roads Reconstruction Limited will be held on July 26th in London.

The following is an extract from the circulated review of the Chairman, Mr John S. Roberts:

The pre-tax profits this year are a record of £936,000, leaving £659,000 after tax. The Group Sales have risen by over 4.0 per cent to £8.3 millions. Development and modernisation of our works and plants in recent years has contributed to these results.

It is recommended that the Final Dividend should be 14½ per cent making 19 per cent for the year. This compares with 17 per cent for last year.

Roads Reconstruction (Quarries) Ltd.: The most important development of this Company is the installation of the new Crushing and Coating plant at the New Frome Quarry. £1,000,000 has been invested in this project. A long term contract for considerable tonnages from this Quarry has been negotiated with British Railways for the supply of ballast in the Western and Southern regions.

The other Quarries in this Company have worked well and further capital expenditure has been authorised.

Teign Valley Concrete Company Ltd.: Competition has been keen in the sale of concrete pipes but the year's results have been very satisfactory. The new factory is in full production making high grade flexible joint pipes to the latest specifications. It is intended to expand and develop this side of the business. The manufacture of pre-stressed beams for the Building and Civil Engineering Industry has been a successful development.

Roads Reconstruction (Contracting) Ltd.: This has been a year of active competition but a very successful one for this Company. The turnover exceeded £2 millions. Civil Engineering has developed well and this Department is being expanded.

The Surfacing Department has been very active.

Thomas Roberts (Gravel) Ltd.: A year of record profit and sales of sand and gravel. The new plant at Wraysbury is working well. Plant alterations are in hand at Thrapston and improvements have been made in handling the raw material. The Great Linford Works is scheduled for a new screening plant.

The Whitwick Granite Company Ltd.: A record year in production and profit for this Company. Further new plant is being planned for this Quarry.

Thomas Roberts (Wellingborough) Ltd.: Dry and coated slag sales have been most satisfactory producing good results. The sales of our bituminous road emulsion have held their own in a difficult market. Our "Redgra" Sports Ground material has been in great demand with sales at a record level.

Future Outlook: I feel that the Company is well placed to take advantage of any increase in the Road and Building programmes. The financial climate of the country makes it difficult to give a forecast for the current year. However, I am confident that with the extensive modernisation of our plants we shall gain in increased profitability in the years ahead. I believe that with reasonable weather conditions we shall have another good year.

LORRAINE-ESCAUT

The Annual General Meeting of Lorraine-Escaut S.A. was held in Paris on June 1st. The following details are taken from the Directors' Report for the year ended December 31, 1964, and from the Statement by the Chairman, **Monsieur Roland Labbé.**

The French steel industry's output for 1964 was 12.7 per cent higher than in the previous year. Lorraine-Escaut produced 2,300,000 metric tons of steel, as against 2,056,000 tons in 1963, and 417,000 tons of tubes, compared with 365,000 tons previously. (These figures include large welded tubes and the Company's production quota from the Société des Tubes de Maubeuge.) Turnover was 8 per cent higher than in 1964.

At the same time, this increased output tended to exceed demand, the resultant surpluses leading to depressed market prices.

Net profit for the year, amounting to F. 67,152,993 (F. 43,490,649 in 1963), has been set aside for depreciation. A gross dividend of F. 4.25 per share, F. 3.30 net, will be distributed, and will be met from reserves. The Board also decided to increase the Company's capital from F. 272,250,000 to F. 326,700,000 by the issue at par of 544,500 new shares of F. 100 nominal value.

Copies of the full Report (in French) may be obtained from: Lorraine-Escaut S.A., 7 Rond Point Bugeaud, Paris XVIe, France.

THE CONTINENTAL AND INDUSTRIAL TRUST

LIMITED AND ITS SUBSIDIARIES

Managed by J. Henry Schroder Wagg & Co. Limited

Year ended May 31st	1963 £	1964 £	1965 £
TOTAL REVENUE	704,222	814,424	1,045,599
less Expenses	27,509	29,586	35,005
Debenture Interest	132,062	190,292	269,535
NET REVENUE BEFORE TAXATION	544,651	594,546	741,059
less Taxation	189,273	184,343	242,892
Preference Dividend (net)	33,687	33,687	33,000
NET REVENUE AVAILABLE FOR ORDINARY DIVIDEND	321,691	376,516	465,167
* EARNED ON ORDINARY SHARES	12·4%	14·5%	18·7%
* ORDINARY DIVIDEND PAID	10·0%	11·5%	14·0%
TOTAL NET ASSETS (£'000)	16,466	20,518	20,495†
Net assets attributable to :—			
Debenture Stocks	3,140	5,640	5,638
Preference Shares	1,000	1,000	1,000
ORDINARY SHARES	12,326	13,878	13,857
	16,466	20,518	20,495†

* Adjusted for 1-for-1 capitalisation issue in 1964. † Where the London Dollar Premium has been included an allowance has been made for the surrender of 25 per cent.

SHEEPBRIDGE ENGINEERING LIMITED

INCREASE IN DEMAND ACCENTUATED

LORD ABERCONWAY'S STATEMENT

The Annual General Meeting of Sheepbridge Engineering Limited will be held on July 29th in London.

The following are extracts from the statement **by The Right Hon. Lord Aberconway, the chairman**, circulated with the report and accounts:

The year to March 31, 1965, was one of buoyant activity in all our factories. The benefits of our continuing large capital expenditure programme were reflected in a steep increase in the invoiced sales of the group. This in turn contributed to a further upswing in group profits to a record level.

PROFITS AND FINANCE

The Consolidated Trading Profit for the year, after all charges, including £357,135 for depreciation and £86,250 for interest on the Debenture Stock, was £1,628,010 compared with £1,314,540 for the previous year. After providing £758,521 for taxation and after deducting £16,665 in respect of a minority interest in a subsidiary company, the net profit attributable to the parent company was £852,824 compared with £716,045 for the previous year.

The directors have decided to recommend the payment of a final dividend on August 6, 1965 of 13 per cent less tax, which, together with the interim dividend of 6 per cent less tax paid in February, will make a total distribution for the year of 19 per cent less tax. The total distribution last year was 17 per cent less tax. The dividends absorb £452,500, and there is therefore retained in the business £400,324 from the profits of the year; of this, £200,000 has been transferred to General Reserve. Despite the bigger dividend, retained profits and dividend cover are improved.

The directors recommend the capitalisation of a further £1 million from the reserves of the company and the issue accordingly of a further block of 4 million 5s. shares as fully paid up to existing shareholders in the proportion of one share for every four held. By this operation the issued share capital will be kept more closely in line with the capital irrevocably committed to the business. The directors have no intention of maintaining the current rate of annual dividend on the enlarged capital, although they hope to be able to continue their progressive dividend policy.

The accounts for the year under review will be the last in which a provision is made for income tax and profits tax levied on profits. For the current year the provision against profits will be for Corporation Tax. As the Finance Bill is still before Parliament, it is impossible to say what the effect of Corporation Tax will be on the Company, though it would appear likely that the current year will be a transitional year for tax purposes. Some indication of the effect of Corporation Tax in a year to which that tax would fully apply can be afforded by calculating what the effect of such a tax, at 40 per cent, would be on profits equal to those of last year, if a dividend were to be paid equal to that recommended for last year. Under those circumstances it is estimated that the profits retained, after payment of the dividend and after passing to the Inland Revenue the income tax deducted from the dividend, would be £340,000, compared with £400,324 retained last year; and the dividend cover, calculated as the number of times the gross dividend was covered by available profits after Corporation Tax, would have been 1.45 times, as against 1.88 times last year, the latter calculation being on the accepted basis applicable to the tax system in force last year.

TRADING ACTIVITIES

All the subsidiaries contributed to the successful results for the year, and all are in good heart.

Whilst close attention continues to be given to increasing the exports of the group, it is not possible to give an accurate estimate of the proportion of our total sales which finds its way directly or indirectly into the export market. Many of our products are incorporated in other equipment which is subsequently exported, for example, components sold to motor manufacturers. Direct exports are 15 per cent of our total sales, whilst indirect exports are as high as 40 per cent in some subsidiary companies.

Since the end of the financial year we have acquired the whole of the issued share capital of Gear Hobs Limited and three other connected companies. These companies manufacture gear hobs and thread milling cutters in Uxbridge. The activities of the three companies have been transferred to Gear Hobs Limited. It is considered that this business will be a useful and profitable addition to the group's activities.

Control of quality and development of new products are always in our minds. We enjoy excellent service from our research and development departments. The fact that the staff of those departments is always on the alert for the introduction of new techniques of manufacture, or new products, as a result of information gained either in this country or abroad, is one reason why the demand for the group's wide range of products is constantly increasing.

Last year I stated that there had been a satisfactory increase in demand for our range of products. During the past year that increase was accentuated to such an extent that even though the invoiced sales were considerably higher than ever before the value of orders on hand at the end of the year was 40 per cent higher than at the end of the previous year. Steps are being taken to cater for the increased demand. Group commitments for capital expenditure at March 31, 1965, amounted to £520,000, and further expenditure amounting to £1,100,000 has been authorised since that date. In addition to the expenditure incurred in additional factory space we have a large programme for the replacement and modernisation of our existing manufacturing facilities which will not only increase our productive capacity but also help in keeping down our costs.

During the first three months of the current year business has been brisk and profitable, and the order book today stands higher than ever before.

L'AIR LIQUIDE

Paris

The Annual General Meeting of L'Air Liquide was held in Paris on June 4, 1965 under the chairmanship of **Monsieur Jean DELORME**, Chairman and Managing Director. Nearly 70,000 shareholders, representing around 60 per cent of the capital, attended in person or by proxy. All resolutions were adopted unanimously. The accounts for the year 1964 close with a net profit of Frs. 39,089,326.60. Allowing for the tax refund, the dividend payable as from June 14, 1965 amounts to Frs. 9.22 per share and Frs. 75.52 per management share, and will apply to all shares including those participating in profits as from July 1, 1963, which last year benefited from half the dividend only.

Monsieur Pierre BRUNETON, retiring member of the Board, was re-elected.

In his address the Chairman underlined that the pace of current technological progress made it necessary to maintain a steady effort in the field of research. Whilst recalling the encouraging progress of the Company's industrial activities in five continents, the Chairman outlined certain prospects that might open up in the future, and emphasised the Company's contribution to underseas exploration as well as to new applications of cryogenics in various fields: electronics, electrical engineering, surgery, biology, food preserving, and the conquest of space. Having regard to the importance of the work already carried out, the Company seemed in effect well placed to take advantage of these prospects.

TECALEMIT

LIMITED

An industrial holding company with interests in engineering, lubrication, filtration, automotive components, oil burning, fire fighting and protection equipment, waveguides, engineered plastics, coil-winding machines, and variable speed devices.

Year to 31st March 1965	1965 Year	1963/64 20 months
NET PROFIT after adding £45,944 from previous period and deducting Tax £324,431	£363 360	£399 785
Preference Dividend	15,209	25 521
Ordinary Dividend	160,875	275,625
Profit Retained	187,276	98 639
	£363,360	£399 785
Fixed Assets	2,733,825	2,422,933
Net Current Assets	2,155 802	1,986,609
Trade Investments	334,791	309 908
	£5,224,418	£4,719,450

PROSPECTS: Order books are up on last year – assuming the trading situation remains favourable the current year's results should once again be a credit to our employees and a source of satisfaction to our shareholders.

Copies of the Report and Accounts and Chairman's Statement can be obtained from the Secretary Tecalemit Limited, Maidenhead, Berks.

APPOINTMENTS for further announcements see pages 195, 196 and 197

BANK OFFICERS

GET OUT OF THE RUT!

Career appointments overseas are available to bankers of 20 to 35 years of age. Applicants up to age 25 should be single men and have completed at least Part I of the Institute of Bankers' Examination. Marriage is not a bar to older men, but they should have completed (or be in process of completing) Part 2 of the Institute Examination. These are career appointments with excellent prospects. The younger age group commences service in West Africa with emoluments normally in the region of £1,300 p.a. Salaries of older men are higher and will be considered at interview.

★ Free furnished quarters overseas.

★ First-class non-contributory Pension Scheme and retirement at age 55.

★ Eighteen-month tours with 108 days' leave between each tour. £100 kit allowance on appointment. Free medical attention overseas (though our health record is excellent). Free travel.

Interviews arranged in London.

Write, giving full particulars, to: The Secretary.
BANK OF WEST AFRICA LIMITED,
37 Gracechurch Street, London, E.C.3.

Buffer Stock Manager

The International Tin Council invites applications for the post of Buffer Stock Manager. The duties of the Manager are to maintain and operate the buffer stock (in tin metal or cash or both) in accordance with the provisions of the International Tin Agreement (an intergovernmental commodity agreement of which 21 countries are members). Salary for this post is £3,800 sterling per annum, rising to £4,190 per annum. Non-contributory pension scheme applies where appropriate. Applicants should have an understanding of the basic supply-demand factors in tin and experience of metal markets. Knowledge of investment practice is also desirable. The offices of the Council are in London.

Applications, with full details of career, should be received before 15 August, 1965, by the Secretary, The International Tin Council, Haymarket House, 28 Haymarket, London, S.W.1.

DATA PROCESSING — OVERSEAS

Progressive commercial/industrial organisation in Peru requires a capable young programmer to co-ordinate and follow through transition from conventional IBM to Computer 1440. Single man preferred and some knowledge of Spanish an advantage. Excellent prospects for man with drive and initiative. Salary in accordance with capability but not less than £2,500 initially. Three year contract with home leave. Airmail curriculum vitae to: Richard O. Custer S.A., Casilla 681, Lima, Peru. Interview will be arranged in London.

Edinburgh College of Art

School of Town and Country Planning

Lecturers in Planning

Applications are invited for the above posts. Applicants should be corporate members of the Town Planning Institute and hold an appropriate degree or diploma.

Applicants will require to specialise in one of the following:

1 Theory and Practice of Town and Country Planning
2 Civic Design or Landscape Architecture and Ecology
3 Urban and Regional Economics
4 Planning Research Techniques
5 Urban and Rural Sociology

The post is superannuable and is on the Grade I salary scale £1,330 x £100—£1,830 x £105—£2,060.

Forms of application and conditions of appointment can be obtained from the Secretary and Treasurer, Edinburgh College of Art, Lauriston Place, Edinburgh 3.

The London School of Economics and Political Science

Applications are invited from graduates in the Social Sciences with a knowledge of Local Government or statistical experience for a post as Senior Research Officer to the Greater London Group. Preference will be given to applicants interested in conducting research into urban government and administration, with particular reference to the London region. Salary on the scale £1,485 x £85—£1,995; thereafter, subject to review, x £85—£2,330 a year, plus £60 a year London Allowance and superannuation benefit. In assessing the starting salary consideration will be given to age and experience.

Applications, with the names of three referees, should be received not later than July 26, 1965, by the Assistant Secretary, London School of Economics, Houghton Street, London, W.C.2, from whom application forms may be obtained.

University of Southampton

Department of Psychology

Applications are invited from GRADUATES in PSYCHOLOGY for a RESEARCH ASSISTANTSHIP and a RESEARCH STUDENTSHIP in connection with an investigation of social anxiety reactions in criminals. Appointment will be made for one year in the first instance, but will be renewable for a further two years. Salary for Research Assistant in range £800–£1,000 per annum. The Research Student will be expected to prepare for a higher degree, and will receive a grant of £500 per annum, plus fees. Applications, giving details of age, qualifications and experience, and the names of two referees, should be sent to the Deputy Secretary, The University, Southampton, as soon as possible.

John Laing and Son Limited

require staff for recently formed Data Processing Department to prepare for the installation of an IBM 360 computer.

There are vacancies for

Systems Analysts and Programmers

to engage on commercial applications within the group. Applicants should have 2-3 years' experience in the Data Processing field. Programmers should have a working knowledge of IBM computer systems.

Successful applicants will join newly formed project groups concentrating on implementing real applications on the computer.

Salaries will be commensurate with qualifications and experience. Conditions of employment include three weeks' holiday and pension scheme.

Please write for application form to the:
GROUP PERSONNEL MANAGER
(PJM 193),
JOHN LAING AND SON LIMITED,
London, N.W.7

THE GEIGY COMPANY LIMITED
HEALD GREEN

OPERATIONAL RESEARCH

A vacancy exists in a small but very active Operational Research Department at present engaged in a number of interesting projects including sales forecasting, integrated inventory and production control systems. Applications are invited from graduates in mathematics, the natural sciences or economics who have some five years' post graduate experience including at least two years in operational research. Formal training in operational research would be an added advantage. This is an additional appointment arising out of the department's expanding activities.

Application, giving brief details only of age, qualifications and experience, should be addressed to the Personnel Officer.

All applications will be acknowledged, applicants selected for further consideration being invited to complete an application form. Please quote reference G.98/AA.

Geigy

THE GEIGY COMPANY LIMITED
SIMONSWAY, MANCHESTER, 22

CYANAMID

CYANAMID OF GREAT BRITAIN LIMITED

PROGRAMMERS

We wish to appoint two Programmers to assist in the continuation of our planned transfer of commercial and accounting applications to an I.C.T. 1300 Computer in London. Likely candidates (male or female) will already have had experience with similar equipment.

SENIOR PROGRAMMER

Planning of the first phase of applications is not yet complete, and it is envisaged that the Senior Programmer, who will have had about 2 years' experience, and should be capable of co-ordinating the work of others, will also assist in the systems work.

JUNIOR PROGRAMMER

The Junior Programmer will assist in the writing of larger programmes and, under guidance, make modifications to existing programmes.

Our existing and future requirements are now being studied in terms of a third generation Computer.

Both appointments carry progressive salaries, subject initially to experience and qualifications. Suitably detailed applications should be addressed, in full confidence, to:—

Company Personnel Manager,
CYANAMID OF GREAT BRITAIN LIMITED
Bush House, London, W.C.2.

Police College

BRAMSHILL HOUSE, HARTLEY WINTNEY HANTS

General Studies Post

A post is vacant in the Department of General Studies for a graduate with at least Second Class Honours or the equivalent. A degree in Economics, Sociology, History or Philosophy, Politics and Economics would be preferred. Qualifications in Management Studies would be an additional recommendation.

Salary range, £1,330 to £1,830 a year. Starting pay up to £1,570, depending on age, qualifications and experience; F.S.S.U. applies. A successful candidate who is prepared to live on College premises could be allocated single quarters at moderate cost. Married quarters are not at present available.

The tutor appointed will work under the Director of General Studies. The duties of the post will include lecturing in the tutor's own subject and supervising, on a tutorial basis, work in History, Government, Economics, Social Studies, International Affairs and English. The tutor will be expected to take part in the social life of the College. Courses are all residential; students are police officers being trained at various levels for higher rank. The College offers exceptional scope for graduates interested in adult education.

Applications, with a curriculum vitae, two testimonials to the candidate's teaching abilities and the names of two referees, should be made to the Principal Establishment Officer, Establishment Division 1, Room 526, Home Office, Whitehall, S W 1, by July 23, 1965

University of Victoria

Victoria, British Columbia, Canada

Applications are invited from Economists interested in either of the following appointments, which are to date from July 1, 1966:

Professor (or Associate Professor) of Economics, preferably an Econometrician, to offer some undergraduate courses and to assist in planning a graduate programme;

Assistant Professor, preferably someone whose primary interest is in Public Finance.

The present salary minima are $13,000, $10,000 and $7,600. Fringe benefits include a generous pension scheme, sickness benefits, life and disability insurance. Assistance with removal expenses is provided. Appointees will not be required to report until September 1, 1966.

Applications, with relevant information, should be directed to the Head, Department of Economics and Political Science, University of Victoria, Victoria, British Columbia

The University of Sheffield

Department of Extramural Studies

Applications are invited from graduates for the post of LECTURER or ASSISTANT LECTURER in INDUSTRIAL STUDIES to begin duties on January 1, 1966. The appointment will be concerned mainly with Day Release Classes for Coalminers and Steelworkers, the range of teaching including economics, industrial relations, history and social and political theory; candidates should have specialist qualifications in one or more of these subjects. Qualifications and experience will be appropriately recognised in the starting salary. Salary scale: Lecturer £1,400 x £85 £2,505; Assistant Lecturer £1,050 x £75 £1,275, with F S S U provision. Applications (ten copies) should be sent by August 2, 1965, to The Registrar, The University, Sheffield 10, from whom further particulars may be obtained.

The University of Manchester

Department of Adult Education and Extra-Mural Studies

Applications are invited for two research posts:

(i) *In the Department of Adult Education*

To carry out research into the teaching methods appropriate to students of different ages throughout the range of educational work with adults. The project will include a study of objectives in different sectors of adult education, of the influence of social and environmental factors and of the relevant psychological and physiological changes occurring at various stages of adult life.

(ii) *In the Department of Extra-Mural Studies*

To carry out research, related to action, into the forms and structures of adult education provision in the region. It is proposed to study two or three different areas in detail and to assess the relative roles of statutory and voluntary agencies in providing post-school education for their residents.

One appointment will be at a salary on the Lecturer's scale, the other on that of Assistant Lecturer. Applicants should have good Honours degrees in a relevant subject and research experience. The person appointed for project (ii) should have some practical experience of adult education. Salary ranges per annum: Lecturer, £1,400 to £2,505; Assistant Lecturer, £1,050 to £1,275; initial salary according to qualifications and experience. Membership of F S S U. Applications must be received not later than July 31, 1965, by the Registrar, The University, Manchester 13, from whom further particulars and forms of application may be obtained, on quoting reference 141/65/E.

Forestry Commission

Commissioner for Harvesting and Marketing

APPLICATIONS for this pensionable post in London are invited from men aged at least 45.

The Commissioner will share in the making of major policy decisions in the whole field of the Forestry Commission's work. His duties will include over-all responsibility for the harvesting, marketing, and sale of all the Commission's timber; the maintenance of a market research and information service, and liaison with harvesting and marketing organisations in other countries and with international bodies. He will act as general adviser to the Department and to H.M. Government and to trading organisations in the United Kingdom about the state of the home and world timber markets.

Candidates should have carried some responsibility for the formation of policy in a senior position in a large organisation concerned with forestry and timber. They should have experience of the negotiation of large contracts, approval of sales budgets, prices and quantities, and a sound knowledge of the home timber trade and of world timber markets, and of logging techniques and forest engineering. A degree in Forestry would be an advantage.

The successful candidate will be asked to take up the post as soon as possible.

Salary (Inner London): £4,785.

WRITE to Civil Service Commission, Savile Row, London, W 1, for application form, quoting 6191/65.

Closing date July 26, 1965

(18)

Economist Statistician

Kenya

To be responsible for the collection and analysis of statistical data and related subjects.

Applicants (under 50) should normally be nationals of the U K. or Eire and possess a good Honours degree in Economics, preferably with Statistics as a special subject, and have a good knowledge of statistical methods and the handling of statistical data. Experience in a government organisation or post-graduate research in economic analysis or statistical [illegible] an Advantage.

Salary in scale £1,371–£2,754 p a plus 25 per cent gratuity. Two year contract. Free passages and medical attention. Children's allowances. Generous leave. Quarters available.

Please apply for further details to:

Appointments Officer,
MINISTRY OF OVERSEAS DEVELOPMENT,
Room 301, Eland House,
Stag Place, London, S W 1.

giving full name, age, brief details of qualifications and experience, and quoting Ref. RC 236/95/02.

The University of Glasgow

University Library

Applications are invited for a post in the grade of CHIEF ASSISTANT (salary scale £1,325 x £75—£1,700 per annum) to take charge of the combined class libraries in Economics and Social Science. Applicants should be graduates, preferably with an Honours degree in the appropriate field, and should have had relevant experience in an academic library, a professional qualification in librarianship is also desirable.

Applications (five copies), with the names of three referees, should be lodged, not later than July 24, 1965, with the undersigned from whom further particulars may be obtained.

ROBT. T. HUTCHESON.
Secretary of the University Court.

Victoria University of Wellington

NEW ZEALAND

Senior Lecturer in Transport Economics

Applications are invited for the above-mentioned post which is mainly a research one. The appointee will also be expected to teach in his special field but not normally for more than three hours weekly. The Council would prefer to appoint a person who had already undertaken a substantial amount of research of high quality in Transport Economics, but it would be prepared to consider applications from persons whose main qualifications are in other branches of Economics but are now prepared to turn their minds to transport problems.

The salary for a Senior Lecturer will be £2,300 per annum, rising to £3,500 per annum, initial salary being determined according to qualifications and experience.

Approved fares to Wellington will be allowed for the appointee, his wife and family, together with actual removal expenses within specified limits.

Further particulars and information as to the method of application should be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in New Zealand and London, on August 15, 1965.

DEPARTMENT OF LABOUR

Research Division

PROVINCE OF NOVA SCOTIA

Requires the services of a

MANPOWER RESEARCH OFFICER

QUALIFICATIONS: Master's Degree or Minimum Bachelor's Degree with equivalent experience in liberal arts. Minimum two years' experience in the field of statistics and Economic Research including field work.

DUTIES: Conduct surveys and studies relative to training requirements in industries of Nova Scotia; develop and carry out surveys and collect data on all phases of Manpower Training needs; analyse and evaluate information received and organise the data for regular publication; design schedules, establish checking procedures, and develop compilation and tabulation programmes.

SALARY: Commensurate with qualifications and experience. Full civil service benefits.

Application Forms may be obtained from the Nova Scotia Civil Service Commission, P.O. Box 943, Dennis Building, Halifax, Nova Scotia, Canada.

June 21, 1965 A2058

FISHERY ECONOMIC RESEARCH

The White Fish Authority wish to recruit three ECONOMISTS to work on a wide programme of research in the fields of production, marketing, and economic forecasting. The posts will carry a high degree of responsibility for the planning and prosecution of research projects and will offer every opportunity for original work in a most interesting field of economics.

The emphasis will be on quantitative methods and applicants should be familiar with statistical or econometric techniques. The posts will be based at Hull, Yorkshire, in a newly created Research Unit and will involve close team work with technical and operational research staff, and with University departments who will also be working on some aspects of the programme.

The broad responsibilities of the posts are as follows:

POST 1 In the field of **PRODUCTION ECONOMICS**, to study the factors influencing the efficiency of investment, the operations of fishing vessels and the exploitation of alternative resources.

POST 2 In **MARKETING**, to undertake surveys of certain sectors of the distribution chain; to study the problems of wholesale and retail distribution; and to advise on new developments in this field.

POST 3 To study the future **DEVELOPMENT** of international fishing effort costs, and yields, and to study trends in the productivity of man-power and capital. This work will involve close co-operation with biologists in yield forecasting, and will require some mathematical ability.

Salaries for all three posts are in the range £1,559 to £2,497, plus superannuation benefits, depending upon age and experience. Applicants for the post should have had considerable experience in applied economic research, and should have a demonstrated ability for independent work.

Applications should be submitted to the Secretary/Solicitor, White Fish Authority, Lincoln's Inn Chambers, 2-3 Cursitor Street, London, E.C.4, before July 21, 1965, specifying the post in which the applicant is primarily interested.

(W(S)A)

W. S. ATKINS & PARTNERS

Management and Engineering Consultants

Applications are invited from

MATHEMATICIANS

with special knowledge and experience in the fields of statistics and theories of sampling to play an important role in the work of the

MARKET RESEARCH DEPARTMENT

which is part of the Economics and Industrial Planning Division of the firm.

This Division is engaged in a wide variety of studies aimed at producing development plans for industries and governments, both in the United Kingdom and abroad.

Applicants should have an honours degree in an appropriate subject and preferably have had two or three years' industrial experience. The post will be a good and progressive opportunity for a young graduate with a desire to work in the broad field of industrial market research.

Applications should be addressed to: D. W. Harmsworth,
W. S. ATKINS & PARTNERS,
Woodcote Grove, Ashley Road, Epsom, Surrey.

SENIOR ECONOMIST/ SENIOR STATISTICIAN

CENTRAL BANK OF IRAQ

Applications are invited from graduates holding Ph. Degree in Statistics on economics for opportunities in the Central Bank of Iraq. The successful applicant will join the Statistics and Research Department and be associated with Economists and Statisticians whose main concern is the preparation of original economic studies with special reference to monetary, fiscal and development problems of Iraq. The statistician will be responsible for statistical compilation and analysis of post trends and the study of current and future trends in association with various economic activities, good knowledge in critical assessment in monetary, banking, fiscal, foreign trade and balance of payment is essential and relevant experience is desirable. Appointments will initially be on a contract basis for one year, with good opportunity for permanent career and good prospects of promotion. The starting salary will fully reflect qualifications and experience. All applications will be treated in confidence. Write, giving full particulars of age, degrees, qualifications and experience, to:

STATISTICS AND RESEARCH DEPARTMENT
CENTRAL BANK OF IRAQ
BAGHDAD — IRAQ.

Assistant Director

The Great Britain-USSR Association will shortly be making the appointment of Assistant Director. Main duties will be arranging contacts and organisation of activities of Russian visitors, the building-up of the Association's Library and supervision of informational and educational facilities

Candidates must be fluent in the Russian language. Administrative ability and experience will be an advantage

Applicants should be of British parentage and aged 25-40. The starting salary will be £1,200 to £1,300 with annual increments

Applications in writing to the Director, The Great Britain-USSR Association, 14 Grosvenor Place, London, S.W.1

For further announcements see pages 194, 195 and 197

Australia

Sydney Opera House—General Manager

Applications are invited for the position of General Manager of the Sydney Opera House. The General Manager will be the chief administrative officer of the Sydney Opera House Trust. He will be directly responsible to the Trust for the overall management, in accordance with the Trust's policy, of the Opera House and its various halls and services. These will comprise:

(a) a hall seating 2,800 for concerts pageants, conferences, etc., or 1,800 for grand opera;
(b) a hall seating 1,200 for dramatic presentations, intimate opera, conferences, etc.;
(c) an experimental theatre seating 430 suitable for drama, the screening of films, meetings, etc.;
(d) A hall seating 310 for chamber music, lectures, meetings, etc.;
(e) a restaurant and grill-room (seating capacity for 250 persons) and other public facilities

Halls (a), (b) and (c) will be equipped with stage machinery of varying sizes and complexity and some of these halls will be fitted with simultaneous language translation equipment for the holding of international conferences.

While the Trust is empowered to act as promoter, it is anticipated that various public and private organisations will make use of the halls in the Opera House and may promote various activities with the approval of the Trust. The General Manager, therefore, will need to possess a high degree of administrative ability with a knowledge and experience of business, finance and public relations

The appointment will be subject to the provisions of the New South Wales Public Service Act. The salary of the position will be £A4,500 and a substantial expenses allowance will be paid. A higher salary might be considered for an outstanding candidate

Application forms available from the New South Wales Government Offices 56 Strand, London, W.C.2, where applications (in duplicate and accompanied by a recent photograph) should be lodged by *August 10, 1965*. Applicants should specify academic or special qualifications and past and present employment and experience (supported by documentary evidence).

University of Glasgow

DEPARTMENT OF SOCIAL AND ECONOMIC RESEARCH

Assistantship in Management Studies

Applications are invited from economists, statisticians, accountants, engineers, or those with relevant experience or interest, for an Assistant who will take part in a study of the utilisation of modern management techniques. The salary scale is £1,050 x £75—£1,275 per annum.

Applications (three copies), giving the names of three referees, should be sent not later than July 31, 1965, to the undersigned from whom further particulars may be obtained

ROBT. T. HUTCHESON,
Secretary of the University Court

Economic Adviser

The Consumer Council invites applications for the new appointment of Economic Adviser.

The post will include supervision of the programme of work of the Council's research staff, as well as the initiation and carrying out of special studies and enquiries

Candidates must have at least a second class honours degree in economics or a related subject with postgraduate experience in research or in economic work, in industry commerce or a public service

Salary range £2,259-£2,414. These figures will be subject to an increase of about 3½ per cent on January 1, 1966. The starting point within this range is according to age and experience. Contributory pension scheme. Annual holiday four weeks and two days

Application forms can be obtained from The Establishment Officer, The Consumer Council, 3 Cornwall Terrace, London, N.W

The Council is an independent grant-aided body charged with informing itself about the consumer's problems and promoting action to deal with them

Market Research Manager

The E S & A Robinson Group require an Industrial Market Research Manager at their Head Office in BRISTOL

Applicants must be capable of developing this management service and of co-ordinating it throughout the Group. Responsible experience in industrial market research is essential, the possession of an appropriate degree or professional qualification and some knowledge or experience of packaging, paper or plastics would be an advantage The preferred age range is 28-40.

This is a senior appointment and the salary, prospects and conditions are attractive Applications will be treated in strict confidence and should be addressed initially with a brief outline of relevant particulars (including age, qualifications, experience and salary level) quoting reference EFA, to Staff Manager,
E S & A ROBINSON (HOLDINGS) LTD
Bristol 1

The University of Liverpool

The University of Liverpool has several research projects concerned with increasing the efficiency of the building industry. A further development, financially supported by the Ministry of Public Building and Works, is designed to study the potential demand for building resources in the foreseeable future in the Merseyside area and to relate the demand to the resources available.

An *economist* with experience in industry or research who wishes to extend his knowledge of land use and building industry problems is required to take charge of this investigation. The study is expected to take three years.

The initial salary (lecturer scale) will be within the range £1,400 and £2,165 per annum

Applications, stating age, qualifications and experience, together with the names of three referees, should be received as soon as possible by the Registrar, from whom further particulars may be obtained

The Economist

REQUIRES AN

ASSISTANT STATISTICIAN

to specialise in the analysis of international economic facts and figures for the paper. Scope for imaginative presentation of data. University degree or professional qualification essential. Age under 30. Starting salary in the £800-£1,400 range. Five-day week, four weeks' holiday. Bonus, pension and provident schemes in operation. Please write to the Chief Statistician, 25 St. James's Street, London, S.W.1.

Agricultural Officer (Economics)

Tanzania (Tanganyika and Zanzibar)

Required to carry out surveys of present individual farming systems, to plan increasing farm output by better use of existing resources and by injection of additional capital, and to advise on the re-organisation of present farming systems to fit into a wider development framework.

Candidates should possess either a degree in Agriculture with post-graduate economics training or a degree in Agricultural Economics.

Appointment on contract of one tour of 21-27 months. Salary scale £1,325-£2,787 a year plus 25 per cent. terminal gratuity. Education allowances. Passages provided. Generous leave. Government quarters.

Applicants, who should be nationals of the United Kingdom or of the Republic of Ireland should apply for further details, giving full name and brief particulars of qualifications and experience, quoting EC.213/173/07, to:
APPOINTMENTS OFFICER,
ROOM 301,
MINISTRY OF OVERSEAS DEVELOPMENT,
ELAND HOUSE,
STAG PLACE,
LONDON, S.W.1.

For further announcements see pages 194, 195, and 196

NEWS AGENCY—small, compact, hardworking—requires lively extrovert with interest in current affairs (ours, not his). State background, age and education.—Box 1939.

Bristol College of Science and Technology

School of Management

Research Project on Supervisory Training 1965-1967

Applications are invited for the positions of

Research Fellow

and

Research Assistant

on a two-year project sponsored by the Science Research Council into the objectives of supervisory training in four companies and its relevance to training needs.

The Research Fellow will assume full responsibility for the research in two of the firms, and will collaborate in the direction and writing up of the project. Candidates should have a university degree or equivalent, preferably in Sociology or Psychology, with experience in industry and/or relevant research experience.

The Research Assistant will work under the Senior Research Fellow in Charge of the project, and should be a graduate with some knowledge of industry and of research methods.

Both appointments are to date from October 1, 1965.

Salary within the range £1,050-£1,275 (Research Fellow) or £760-£1,020 (Research Assistant).

Application forms and further particulars from
The Secretary and Registrar,
Bristol College of Science and Technology,
Ashley Down,
Bristol 7.

Please quote Ref. CST 65/70.

Dalhousie University Canada

The department of Commerce is seeking to expand its staff by the appointment of an economist. The immediate need is for someone with experience in the business world and whose interests are in the sphere of managerial and applied economics; but the department is primarily concerned to attract high calibre persons and would, to a considerable extent, be prepared to adjust the courses it offers in order to accord with the particular experience and interests of the appointee.

Salaries scales, none of which has a formal ceiling, at present start at $11,000 (Professors), $9,000 (Associate Professors), $7,000 (Assistant Professors) and $6,000 (Lecturers). The appointment may be at any level according to the calibre of the person appointed.

Faculty members normally teach three courses of two or three hours per week each.

It is hoped to make the appointment effective from September 1, 1965, but the department may be prepared to wait until September, 1966, for an appropriate person.

Applications to Professor R. S. Cumming, Head, Department of Commerce, Dalhousie University, Halifax, Canada.

University President

The Memorial University of Newfoundland

(Chancellor: The Right Hon. Lord Thomson of Fleet)

Invites applications for the position of President and Vice-Chancellor of the University.

Appointment is to be for the commencement of 1965-66 academic year on September 1, or as soon thereafter as possible.

Yearly Salary: $30,000 (Canadian funds) House allowance.

Pension: Two-thirds of salary, effective upon retirement as a result of reaching retirement age (65) or permanent physical or mental incapacity.

Memorial, the sole university in Newfoundland, is built on a spacious campus in the principal suburb of the Capital City of St. John's. The new campus, consisting presently of nine buildings, was opened in 1961 by the late Mrs. Eleanor Roosevelt. Two large additional academic buildings are to open in 1966. Other buildings are to be erected in quick succession.

Student body: 1950 — 400
1955 — 700
1960 — 1,400
1965 — 3,500
1970 — 6,000 (estimated)

Faculty: 170

The University offers its President and Vice-Chancellor a challenging opportunity and a position of prestige in the community of Newfoundland and influence in the Canadian nation. He will be expected, as Chief Executive Officer, to develop what is already a vigorous university into one of the leading institutions of Canada.

Interested persons may obtain additional information by writing to the undersigned.

Applications (which will be treated in strict confidence) should be made in writing before September 1st, enclosing a curriculum vitae together with copies of academic qualifications and references. Personal interviews will be arranged. Applications should be addressed:
The Chairman,
Board of Regents,
Memorial University of Newfoundland,
c/o The Minister of Education,
Confederation Building,
St. John's, Newfoundland,
Canada.

University of Melbourne

Senior Lectureship in Chinese
in the
Department of Oriental Studies

Applications are invited for the above-mentioned position.

QUALIFICATIONS: Degree in Chinese with a special interest in the field of Chinese language and literature. An ability to lecture in the fields of Chinese history or Chinese thought will be an advantage. Chinese applicants will require a very high degree of competence in English.

SALARY: £A2,250 to £A3,800 per annum.

CLOSING DATE FOR APPLICATIONS: August 1, 1965.

Initial salary within the range detailed will be determined according to qualifications and experience.

Further information, including details of F S S U. type superannuation, travel and removal expenses, housing assistance and conditions of appointment, is available from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London as above.

EDUCATION

Leeds Education Committee

Leeds College of Commerce

43 Woodhouse Lane, Leeds 2

Diploma in Modern Languages

A two year full-time course requiring the study of two major and one subsidiary foreign language with the aim of achieving a high degree of proficiency in correspondence, interpreting and translation with especial reference to business activities. Also substantial study in the college language laboratory stressing oral proficiency.

Applicants must have two G.C.E. "A" level passes, including a foreign language.

Further details can be obtained from the Principal.

COMPUTER PROGRAMMING.—Train for a well paid post in this expanding field through ICS. For details of new home-study courses (Ref. IBM 1401) write ICS (Dept. 424), Parkgate Road, London, S.W.11.

Home Study Courses
B.Sc. (Econ.) LL.B.

and other external degrees of the University of London. Also Accountancy, Secretaryship, Law, Costing, Banking, Insurance, Marketing, G.C.E., and many (non-exam.) courses in business subjects including the new Stockbrokers and Stockjobbers course.

Write today for details or advice, stating subjects in which interested, to

Metropolitan College

(Dept. (39/2), St. Albans,
or call at 30 Queen Victoria Street,
London, E.C.4. City 6874
(Founded 1910.)

The Mitsubishi man—your trusted adviser in Japan

Mitsubishi Bank, serving the international business community for 85 years with correspondents around the world.

MITSUBISHI BANK

Head Office: Tokyo, Japan **Cable Address:** BANKMITSUBISHI
New York Agency: 120 Broadway, New York 5, N.Y. **Los Angeles Agency:** 626 South Spring St., Los Angeles 14, Cal. **London Branch:** 7 Birchin Lane, London, E.C.3. Correspondent banks located around the world.

Right of the Line

The "Antiquary" deserves the position of honour on any bar. What an outstanding whisky it is.

"The Antiquary"
De Luxe
Old Scotch Whisky
J & M Mackie Limited EDINBURGH

Promoting the Continued Growth of Japanese Industry

Japan's remarkable economic growth has been greatly helped by the Long-Term Credit Bank of Japan. Since its establishment, the bank has been making long-term loans to various important enterprises with funds raised through the issuance of bank debentures. The bank also engages in foreign business, with emphasis on the introduction of foreign capital.
As a long-term financing specialist, the bank will play an increasingly vital role in Japan's industrial future.

THE LONG-TERM CREDIT BANK OF JAPAN LTD.
(Nippon Choki Shin-yo Ginko)
Head Office: Otemachi, Tokyo, Japan
New York Representative Office:
20 Exchange Place, New York, N.Y. 10005

TRADITION, PRESTIGE, TRUST

Each movement of "Noh" dancer is precise, accurate, and calculated, for this traditional Japanese dance demands flawless performance. And when it comes to international banking services, you can take advantage of swift and dependable services substantiated by many years of outstanding experience... offered by Sumitomo Banks.

THE SUMITOMO BANK, LTD.
HEAD OFFICE: OSAKA, JAPAN
171 branches in key cities throughout Japan
■ AFFILIATED BANKS: THE SUMITOMO BANK OF CALIFORNIA, Head Office: San Francisco. Branch Offices: Los Angeles, Crenshaw, Sacramento, San Jose, Gardena: ■ BANCO SUMITOMO BRASILEIRO S.A. Head Office: Sao Paulo. Branch: Mercado
■ OVERSEAS OFFICES: New York Agency. Hong Kong Branch, Karachi Rep.
LONDON BRANCH: Bucklersbury House, 3 Queen Victoria St., London, E.C.4

FREE SURVEY

Woodworm, Dry Rot, Rising Damp Inspections by Highly Trained Rentokil Skill

During the last 4 years Rentokil have surveyed over 90,000 properties, and three out of every four were found to contain woodworm. A significant number were found to contain dry rot or rising damp.

Make sure *your* property is safe from attack - call in Rentokil now. The inspection is free. It is objective, reliable, and acknowledged by professional bodies. Any treatment found necessary — whether for WOODWORM, ROT *or* RISING DAMP — *is backed by Rentokil's 20 year guarantee.*

PAYMENT CAN BE SPREAD OVER TWO YEARS IF REQUIRED

Ring Rentokil - we are in every phone book - or post the coupon below today for free illustrated technical leaflets.

By Appointment to Her Majesty the Queen Contractors to Woodworm, Dry Rot and Rodent Control Rentokil Laboratories Limited East Grinstead

RENTOKIL LABORATORIES LTD.
16 Dover Street, London, W.1. Telephone: HYDe Park 0061
Please arrange for a Free Survey of the undermentioned property ☐
Or please send me free technical leaflet on: Woodworm ☐ Dry Rot ☐ Rising Damp ☐
(Please tick leaflets required)
NAME.....
ADDRESS.....
R520 .....
Rentokil guards your property

NKB YOUR COMMERCIAL BANK ON THE SCENE

The name KANGYO means promotion of commerce and industry. Nippon Kangyo Bank has continued to do just that since its foundation in 1897. Its long tradition and vast experience have yielded a smooth flow of trade between European countries and Japan. In your trade transactions with Japan, turn to NKB, Japan's representative commercial bank with a worldwide network of correspondents. You will be guaranteed efficient, expert and courteous banking service.

Japan's Commercial Bank

NIPPON KANGYO BANK

HEAD OFFICE: Hibiya, Tokyo. DOMESTIC OFFICES: Over 130 branches throughout Japan. LONDON BRANCH: 22, Wood Street, London, E.C.2, England. Tel: MONarch 3562/6. Telex: 263459 LDN. NEW YORK AGENCY: 40 Wall Street, New York 5, N.Y., U.S.A. TAIPEI BRANCH: 35 Po-Ai Road, Taipei, Taiwan.

3 books for the businessman interested in Australia

Nominee & Investment Services

A guide to, and service for, your Australian and New Zealand portfolio investments—specially designed to assist non-resident investors.

Forming a Company in Australia

Covers various aspects of Company Law as defined in the Uniform Companies Act now operating in most Australian States—and much else besides.

Opportunity Australia

The purpose of this 174 page book is to give a factual and balanced picture of the resources and business opportunities in Australia.

All copies freely available upon request.

THE COMMERCIAL BANK OF AUSTRALIA

LIMITED *Incorporated in Victoria*

C.B.A BANK

LONDON OFFICES:
12 Old Jewry, EC2 · Telephone: MET 8761
and for all travel requirements
WEST END BRANCH:
34 Piccadilly, W1 · Telephone: REG 0646
HEAD OFFICE: 335-339 Collins Street, Melbourne

SAVE WITH COMPLETE CONFIDENCE

THE HIGHEST RATE CONSISTANT WITH **SAFETY**

• perfect record of safety • depositors in 107 countries • no Bahama taxes • special confidential accounts • U.S. dollars and sterling accounts.

Dollar deposits earn interest and are repaid in dollars

6% ON SAVINGS ACCOUNTS SAVE BY MAIL!

Interest paid quarterly

BAHAMAS SAVINGS AND LOAN ASSOCIATION, LTD.

P.O. Box 69, Rawson Square, Nassau, Bahamas

☐ Send more information:

Name.....

Address.....

City..... Country.....

Amount Enclosed..... EC

XIIIth INTERNATIONAL TEXTILE TRADE FAIR

From 18th to 27th, 1965

BUSTO ARSIZIO (Varese) Italy

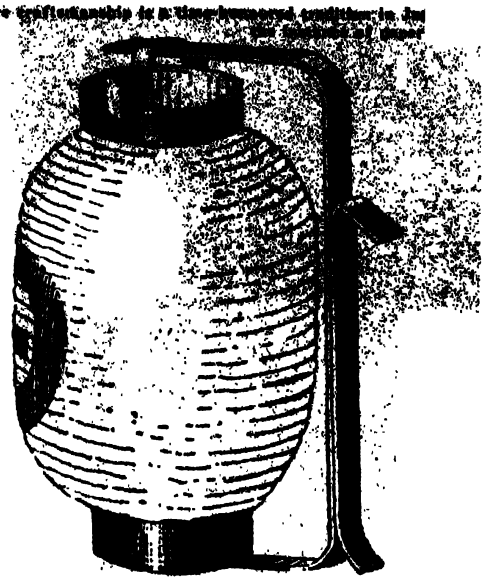
The unique Italian exhibition which is also the most complete European mart of the following sectors:

Natural Fibres
Artificial Fibres
Synthetic Fibres
Textile Machinery and Appliances
Textile Accessories and Automation
Chemical products for the Textile Industry

Information:

Mostra Internazionale del Tessile,
Palazzo delle Esposizioni,
21, Viale Borri,
BUSTO ARSIZIO (Varese) Italy
Phones: 34378—35229—34287 (34508)

Checkin... fascinating relationship is a time-honoured tradition in the

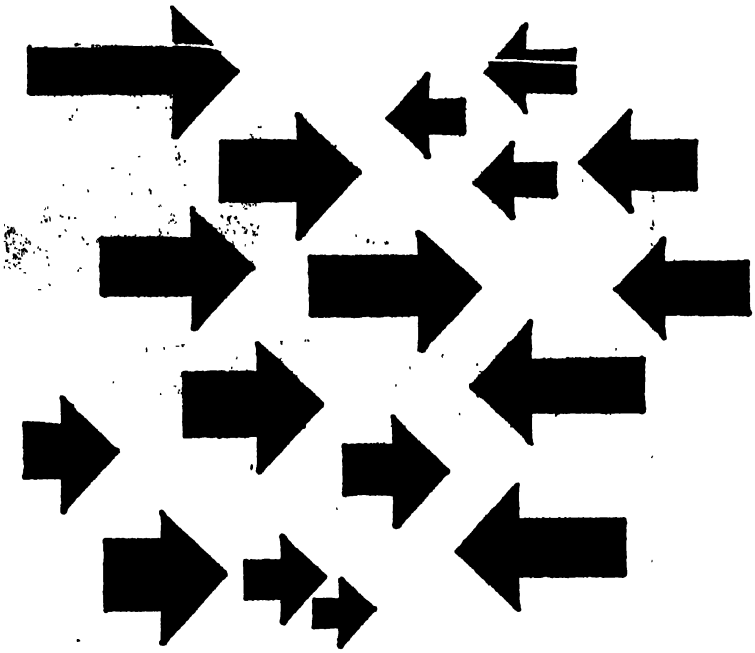


"A TIME-HONOURED TRADITION" Expert banking service substantiated by decades of experience and know-how is the tradition of DAIWA BANK. We cater to your banking requirements, including general banking, foreign exchange and trust through our complete network.

THE DAIWA BANK LTD.

OSAKA JAPAN. TELEX OS3284
119 branch offices throughout Japan
London Branch: TELEX LN21979
79 Bishopsgate, London, E.C.2., England
York Rep. Office: 61 Broadway New York 6 N.Y. U.S.A.

Doing business in Japan?



Japan's leading long-term credit institution offers these valuable services:

- all types of foreign exchange transactions
- promotional services for foreign investments in Japan and Japanese investments abroad
- credit information on Japanese concerns
- loan guarantees
- go-between services for industrial tie-ups with leading Japanese companies

Since 1902

THE INDUSTRIAL BANK OF JAPAN, LTD.

Head Office: Marunouchi, Chiyoda-ku, Tokyo, Japan
London Representative Office: Moor House, 119 London Wall, E.C.2
Tel: National 5251/2
Cable Address: Kogyoginko London EC2
New York Office: 30 Broad Street, New York 4, N.Y.
Tel: HAnover 2-0657
Frankfurt Office: Eschersheimer Landstrasse 9, Frankfurt am Main, F.R. Germany
Tel: 558851

Registered as a Newspaper. Authorised as Second Class Mail, Post Office Dept., Ottawa. Printed in England by St. Clements Press Ltd., London, E.C.4. Published by The Economist Newspaper Ltd., at 25 St. James's Street, London, S.W.1. Telephone: Whitehall 5155. Postage on this issue: UK 10d.; Overseas 11d.

STOCK PRICES AND YIELDS

LONDON STOCK EXCHANGE INDICES

THE ECONOMIST-EXTEL INDICATOR (1953=100)				FINANCIAL TIMES (1935=100)		FT-ACTUARIES INDICES (April 10, 1962=100)			Bargains Marked
1965	Noon	Close	Yield %	Ord. Index	Yield %	500 Shares	Yield %	2½% Consols Yield	
June 30	365·5	364·3	5·87	319·9	6·09	100·39	5·91	6·66	8,154
July 1	363·9	362·2	5·90	317·8	6·13	99·80	5·95	6·66	8,457
" 2	362·0	361·6	5·91	317·1	6·15	99·61	5·96	6·66	8,290
" 5	361·5	361·1	5·93	315·7	6·17	99·17	5·99	6·67	10,540
" 6	360·3	361·4	5·93	315·5	6·18	99·19	5·99	6·67	9,223
" 7	363·6	362·9	5·91	315·8	6·17	99·41	5·98	6·69	8,560
	High, 405·2 (May 14) Low, 361·1 (July 5)			High, 359·1 (May 3) Low, 315·5 (July 5)		High, 111·39 (February 18) Low, 99·17 (July 5)			

Prices, 1965 High	Low	BRITISH FUNDS DOMINION AND CORPORATION STOCKS		Price, June 30, 1965	Price, July 7, 1965	Net Red. Yield, July 7, 1965§ £ s. d.	Gross Red. Yield, July 7, 1965 £ s. d.
99¾	97 11/16	Savings Bonds 3%	1955–65	99.13.9	99.14.10	3 4 3	5 9 5
92 15/16	90⅞	Savings Bonds 2½%	1964–67	92⅞	92 27/32	4 8 8	6 15 1
84 9/16	82⅞	Savings Bonds 3%	1960–70	84⅛	84½	4 9 10	6 17 5
79 9/16	76¾	British Electric 3%	1968–73	78¼	78½	4 8 11	6 15 0
75	72½	Savings Bonds 3%	1965–75	73	73⅛	4 11 3	6 18 1
73¾	70¼	British Electric 3½%	1976–79	70¾	71	4 8 2	6 14 9
61¼	56½	British Transport 3%	1978–88	56⅞	56⅞	4 9 1	6 14 3
92	88¼	Funding 4%	1960–90	91⅛	91¼	3 10 3	5 6 1
58⅞	53½	British Gas 3%	1990–95	53⅝	53⅝	4 6 9	6 12 8
88½	82½	Treasury 5½%	2008–12	83¼	83½	4 0 10	6 16 0
55 5/16	51¼	War Loan 3½%	after 1952	51⅞	51⅝	4 0 0	6 16 7
40 3/16	37	Consols 2½%		37½*	37½	3 18 4	6 13 5
87½	85⅝	Australia 3¼%	1965–69	87⅜	86⅛*	...	7 0 6
89¾	87¼	Birmingham 4¼%	1967–70	87½	87¾	...	7 1 6
104¼	99½	LCC 6¾%	1974	101	100⅜	...	6 14 6
98¼	94½	Australia 6%	1974–76	95¾	95½	...	6 13 6
102⅛	97¾	Bristol 6½%	1975–77	100¼	97¾*	...	6 13 0
98¾	94¾	New Zealand 6%	1976–80	96	96⅛	...	6 11 6
83	80½	Northern Rhodesia 6%	1978–81	80½	81	...	8 0 6p
103⅝	99⅛	LCC 6¾%	1988–90	99⅝	99½	...	6 15 8
55½	53½	Southern Rhodesia 4½%	1987–92	55¼	53½*	...	9 1 6
45¾	43	LCC 3%	after 1920	43½	43¼	...	6 18 0

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, June 30, 1965	Price, July 7, 1965	Yield, July 7, 1965 % **	Cover
			BANKS, DISCOUNT & HP					
62/-	53/3	6½ a	Barclays £1	56/-	58/6	57/3*	4·0	...
47/9	39/3	5 a	Lloyds £1	41/6	42/6	43/-*	4·4	...
18/4½	16/-	7½ a	Martins 5/-	17/7½	17/7½	17/7½*	4·3	...
59/-	50/9	6½ a	Midland £1	51/6	51/6	53/-	4·5	...
72/3	62/6	8 a	Nat. Provincial £1	66/6	67/6	65/9	4·9	...
61/9	47/6	6⅜ a	Westminster 'B' £1	54/9	55/9	58/9	4·4	...
48/-	39/3	8 b	Australia & N. Z. £1	44/6	41/-	41/-	5·9	...
37/3	29/3	6 b	BOLSA £1	33/3	29/6	29/3	6·5	...
£25 5/16	£22¼	$2·20c	Bank of Montreal $10	£23 11/16	£22¼	£22⅝	3·3	...
55/3	43/3	5‡‡a	Bank of New S. Wales £1	48/3	43/3	44/3	3·6	...
39/9	37/-	5½a	Barclays DCO £1	39/3	38/9	38/9	5·7	...
47/3	41/6	7½b	Chartered £1	46/6‖	42/3	42/9	7·0	...
£12⅛	£8⅝	6/6b	Hongk'g. & Shang. $25	£9⅛	£8⅝	£8¾	5·1	...
30/8¼	24/6	5 a	Nat. Com. Bk. Scot. 10/-	27/6	25/6	25/6	4·7	...
£30⅜	£26½	$2·60c	Royal Bk. Canada $10	£28¾	£26⅞	£27⅛	9·6	...
60/-	52/9	10 b	Standard Bank £1	57/9	55/9	52/9	6·6	...
29/7½	23/9	16½b	Hambros 5/-	27/-	23/9	23/9	5·1	...
14/8¼	10/11½	4 a	Hill, Samuel 5/-	12/7½	10/7½*	10/7½	4·7	...
31/3	26/6	24 c	Montagu Trust 5/-	31/6	27/3*	26/6	4·5	...
59/-	47/6	6 b	Schroders £1	59/-	48/-	47/6	4·0	...
50/-	43/-	6¼b	Union Discount £1	45/9	44/-	43/-	5·8	...
11/1½	9/3	4 a	Bowmaker 5/-	10/-	9/7½	9/3*	8·1	1·4
18/-	13/-	15 b	Lombard Banking 5/-	16/-	13/3	13/3	7·5	...
15/3	13/9	7½a	Mercantile Credit 5/-	14/6	14/7½	14/9	6·8	1·7
17/6	15/3	9 a	United Domins. Tst. 5/-	17/3	16/-	15/10½	6·4	1·4
			BREWERIES, Etc.					
14/7½	11/9	9½b	Allied Breweries 5/-	12/4½	12/-	12/-	6·0	1·5
18/4½	13/7½	4 a	Bass, Mitchells & B. 5/-	15/3	14/-	13/9	5·8	1·8
15/1½	12/4½	10 b	Charrington United 5/-	13/4½*	12/6	12/4½	6·1	1·7
24/6	20/-	6½b	Distillers 10/-	22/9	20/3	20/3	5·7	1·8
22/-	18/3	8 a	Guinness 5/-	20/3	18/6*	18/3	5·8	1·7
19/-	13/5¼	11½b	Harveys 5/-	15/3	13/6¾	18/6	4·5	1·7
65/6	55/9	8 b	Scottish & Newc. Brew. £1	60/6	56/9	55/9	4·7	1·9
17/7½	13/4½	4⅜a	Watney Mann 5/-	14/9	13/9*	13/6	5·9	1·9
16/7½	13/4½	9 b	Whitbread 'A' 5/-	14/-*	13/7½	13/4½	7·5	1·8
			BUILDING, PAINT, Etc.					
59/7½	47/9	6½b	Associated Portland £1	56/6	48/6	47/9	4·2	2·4
27/9	20/9	6½b	British Plaster B. 10/-	25/9	21/-	22/1½*	5·0	2·0
26/3	19/7½	13 b	Richard Costain 5/-	24/6	20/11½	19/10½	5·0	3·4
10/9	8/-	8½b	Crittall Hope 5/-	8/7½	8/-	8/3	7·3	1·9
16/3	12/3	17 b	International Paints 4/-	14/10½	13/3	13/3	7·5	1·7
25/6	20/6	15 b	London Brick 5/-	23/3	21/-	20/9	4·8	2·2
27/3	21/-	10 b	Rugby Portland 5/-	26/1½	22/4½	21/-	3·6	3·1
			CHEMICAL					
24/6	21/-	16 b	Albright & Wilson 5/-	23/3	21/3	21/-	5·0	1·8
19/9	16/10½	11 b	Borax Defd. 5/-	19/4½	17/3	17/-	4·7	2·3
56/-	49/-	5 a	Fisons £1	53/6	50/-	49/3	4·9	1·7
49/1½	42/4½	7½b	I.C.I. £1	45/3	45/1½	44/10½	5·6	1·3
16/3	13/1½	10 b	Monsanto 5/-	13/6	13/4½	13/3	5·2	1·3
			DRAPERY & STORES					
17/7½	14/6	8 b	Boots Pure Drug 5/-	16/-	15/4½	15/1½	4·0	2·3
26/6	19/9	2 ‡a	Montague Burton 10/-	25/6	20/-	23/1½	3·5	1·6
38/3	30/4½	6½a	Debenhams 10/-	33/3*	30/10½	30/6	7·1	1·5
37/6¾	32/8¼	2½‡b	Grattan Warehouses 5/-	35/6*	34/9	35/1½	4·4	1·7

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, June 30, 1965	Price, July 7, 1965	Yield, July 7, 1965 % **	Cover
45/6	38/7½	25 b	GUS 'A' 5/-	43/-	39/4½	40/-	4·4	2·1
25/3	20/-	18½b	House of Fraser 5/-	23/9	21/11½*	20/-	8·1	1·3
13/4½	10/11½	10 b	Lewis's Invest. Tst. 4/-	12/1½*	10/11½	10/11½	5·9	1·8
35/6	32/6	20 b	Marks & Spencer 'A' 5/-	34/6	34/4½	34/6	4·2	1·4
30/6	27/-	6 a	United Drapery 5/-	28/3	27/4½	27/3	4·8	1·8
23/3	18/11½	5½a	Woolworth 5/-	19/7½	18/4½*	18/11½	5·5	1·4
			OIL					
54/9	44/-	‡8½b	British Petroleum £1	51/3*	50/3	50/9	7·8	2·6
51/9	44/3	‡8½b	Burmah Oil £1	49/3	44/10½	45/9	9·6	1·1
£17 13/16	£14¾	18·3b	Royal Dutch 20 fl.	£15⅞	£15¼	£15¼	3·8	2·1
36/4½	29/3	†18½b	Shell Transport 5/-	32/10½	29/9	29/4½	8·7	2·0
30/3	22/-	...	Ultramar 10/-	28/4½	22/6	22/6	...	...
			ELECTRICAL & RADIO					
53/3	38/-	8¼b	AEI £1	46/-	45/9	45/9	5·2	1·5
76/1½	61/7½	10 b	BICC £1	69/7½*	64/4½	61/7½	(5·2)	2·0
12/7½	10/0¾	4·4 a	Crompton Parkinson 5/-	13/9¾	10/8¼‖	10/0¾‖	4·9	2·2
75/-	63/-	10 a	Decca 10/-	70/6	65/-	63/-	4·4	1·8
27/9	21/9	5 a	EMI 10/-	26/9	22/-	21/9	5·7	2·3
18/6	12/3	6½b	Elliott-Automation 5/-	15/9	12/6	12/3¾	4·3	1·8
55/3	42/3	9 b	English Electric £1	47/7½	47/-	46/-	5·2	1·9
46/9	38/6	3 a	General Electric £1	39/10½	39/9	39/3	4·3	2·7
63/9	44/-	8½b	C. A. Parsons £1	53/9	55/9	55/3	4·5	1·2
132/1½	101/3	10 b	Philips Lamp Works. 10 fl.	128/6	111/3	111/-	2·9	2·3
38/7½	29/3	7 a	Plessey 10/-	34/4½	29/7½	29/9	4·0	2·5
18/7½	12/9	20 c	Pye (Cambridge) 5/-	16/-	12/10½	12/9	7·8	2·0
42/3	35/6	20 a	Radio Rentals 5/-	40/7½	35/6	35/6	5·6	2·1
61/3	44/-	7½b	A. Reyrolle £1	50/-	52/3	52/9	3·8	3·1
76/-	53/3	15 a	Thorn Electrical 5/-	65/6	55/7*	53/3	2·1	4·4
			ENGINEERING					
39/9	30/9	5½b	Babcock & Wilcox £1	34/3	33/4*	33/6	6·0	1·4
40/6	33/-	4 a	John Brown £1	37/10½	36/-	35/7½	6·2	1·3
9/-	7/-	8 b	Cammell Laird 5/-	8/3¾	7/6	7/3	8·3	0·4
14/-	11/4½	10 b	Internat. Combust. 5/-	27/3	12/6	12/2¼	6·2	1·2
26/3	20/4½	7½b	Swan Hunter £1	23/6	22/9	21/9	9·2	0·6
8/6¾	6/5¼	5¾b	John Thompson 5/-	8/3¾	6/8¼	6/9¾	6·4	0·6
35/6	26/4½	†3¾a	Coventry Gauge 10/-	32/-	27/-	27/3	6·2	1·9
56/6	42/-	†6 b	Alfred Herbert £1	53/1½	48/4½	48/1½	5·7	1·6
27/6	22/3	12½a	Acrow (Eng.) 'A' 5/-	25/-	26/6	23/1½	22/10½	(5·0)	1·6
25/6	17/6	17½b	Allied Ironfounders 5/-	24/3	18/-*	17/9	7·0	1·8
23/9	19/9¾	17½b	Averys 5/-	22/6	21/6	21/3	5·3	1·7
24/10½	18/3¾	5 a	BSA 10/-	20/8¼*	21/-	21/-	(5·7)	2·0
12/-	9/6	8 b	George Cohen 5/-	10/-	10/4½*	10/1½	5·9	1·7
15/7½	11/7½	5 a	Davy-Ashmore 5/-	12/10½	13/3	13/-	4·2	...
56/3	45/9	9 b	Guest, Keen £1	48/-	48/6	48/-	5·8	2·0
19/6	13/-	12 b	Head Wrightson 5/-	19/-	13/-*	13/-	6·2	1·3
58/3	50/10½	7½b	Metal Box £1	55/1½	52/3*	51/3	4·9	1·7
17/8¼	15/3	6 a	Ransome & Marles 5/-	16/4½	15/9	15/3	5·6	2·1
40/10½	34/1½	5 b	Renold Chains £1	38/9	35/10½	34/1½	5·6	1·8
72/9	58/4½	7½a	Tube Investments £1	59/-*	59/9	59/-	5·1	1·9
28/3	20/9	7½b	Vickers £1	23/6	21/1½	20/10½	9·6	0·5
48/6	38/6	9½b	Ward (Thos. W.) £1	42/9	40/9	41/3	8·5	1·9
14/9	10/4½	7 a	Wellman Smith Owen 5/-	11/9	11/-*	10/9	(7·0)	1·0
18/6	14/3	16 b	Woodall-Duckham 5/-	15/6	16/4½	16/4½	6·4	1·3
			FOOD & TOBACCO					
33/3	28/-	16 a	Allied Suppliers 10/-	28/6	32/-	31/9	5·0	2·1
7/9	7/-	16 a	Assoc. British Foods 1/-	7/7½	7/3	7/1½	4·0	2·0
40/-	33/-	8 b	Bovril £1	36/3	33/-	33/-	7·3	2·2
12/4½	10/6	†2½a	Brooke Bond 'B' 5/-	11/7½	10/9	10/7½	6·0	2·8
8/7½	7/3	7 a	Fitch Lovell 2/6	7/7½	7/4½	7/4½	(4·7)	2·4
10/7½	8/10½	12½a	International Stores 5/-	9/3	10/-	9/10½	5·1	2·0
59/6	51/-	10 b	J. Lyons 'A' £1	52/-‖	52/3*	51/3	5·2	1·6
33/10½	27/-	5½a	Ranks Hovis 10/-	29/9	28/-*	27/-	5·9	1·9
32/1½	26/6	7 b	Reckitt & Colman 10/-	28/3	27/-	27/-	5·2	2·2
15/9	12/10½	9½b	Spillers 5/-	15/4½	13/3	13/-	5·0	2·3

FOREIGN AND OVERSEAS STOCKS

	June 30 Frcs.	July 7 Frcs.		June 30 %	July 7 %		June 30 %	July 7 %
FRANCE			**GERMANY**			**HOLLAND**		
Air Liquide	591	571	A.E.G.	410	420	A.K.U.	45¾	45½
Banque de Paris	300·5	298	Bad'che. Anilin.	424	433	Amster. Rot. Bk.	Fl. 60·8	Fl. 61·2
Citroen	152·5	145·1	Bayer	383	390	Bijenkorf	595	617
C. F. Petrole.	183·5	173	Commerzbank	373	373	Heinekens	455	464
Cie G. d'Elect.	490	476	Deutsche Bank	390	405	Interunie (Fl.50)	Fl.181	Fl.185
Machines Bull	95·8	91·2	Hoechst Farb.	473	480	K. N. Hoogoven	507	495½
Pechiney	184	183	Kundenkredit	341	341	Ken. Zout-Key.	860	845
Printemps	203	199	Loewenbrau	1,060	1,045	Philips (Fl.25)	Fl.128	Fl.125·7
Rhone-Poulenc	278	270	Mannesmann	209½	199½	Robeco (Fl.50)	Fl.215	Fl.217
S.I.M.	310	307·5	Siemens	469	479	Thomassen & D.	520	510
Saint-Gobain	199·5	189	Thyssen-Huette	177	178	Valeurop	Fl. 62·0	Fl. 64·0
Usinor	98·5	98	Volkswagen	509	502	Zwanenbg (Fl20)	Fl.179·5	Fl.178·5
Index	90·0	88·0	*Herstatt Index*	90·83	91·82	*Index*	325·1	331·4
High	101·4	(31.3.65)	*High*	105·22	(8.1.65)	*High*	370·9	(2.3.65)
Low	88·0	(7.7.65)	*Low*	89·09	(29.6.65)	*Low*	320·2	(29.6.65)
	Dec. 31, 1964=100.			*Dec. 31, 1959=100.*			*1953=100.*	

CANADA	$	$	AUSTRALIA	£A	£A	JAPAN	Yen	Yen
Abitibi Pr. & P.	12	12⅛	Ampol Pet.	9/8	10/-	Ajinomoto	238	234
Aluminium	29	28⅝	Ass. Pulp & P.	29/-	29/3	Fuji Iron	58	57
Bell Tel.	58¾	58⅜	Aust. Con. Inds.	55/-	57/-	Hitachi	83	80
Can. Brewer's.	9¼	9	Aust. Oil & Gas	22/3	23/3	Honda Motor	196	196
Can. Imp. Bank	64	63	Brit. Tobacco	33/-	33/-	Kirin Brewery	180	178
Can. Pac. Rly.	61⅞	61¾	Broken Hill Pty.	48/6	50/-	Mitsub. Chem.	113	114
Hiram Walker	37⅞	37¼	G. J. Coles	13/11	14/3	Mitsub. Elect.	59	54
Imperial Oil	52¾	51¾	Colonial Sugar	62/-	62/-	Mitsub. Heavy	71	67
Noranda Mines	48	48⅜	Felt & Textiles	7/5	7/9	Nippon Elect.	186	187
Power Corpn.	13¾	10⅛	I.C.I., A.N.Z.	44/-	47/9	Sony	271	272
Steel of Canada	28½	27⅞	Myer Emporium	30/-	30/3	Toyo Rayon	99	98
Trans. Can. Pipe	35	34⅜	Woolworth	15/-	15/8	Yawata Iron	56	56
Montreal Ind.			*Sydney Ind.*			*Dow Jones*		
Index	160·1	156·8	*Index*	302·76	310·91	*Average*	1060·11	1037·52
High	174·0	(13.5.65)	*High*	368·74	(5.1.65)	*High*	1289·98	(12.1.65)
Low	154·8	(29.6.65)	*Low*	301·86	(29.6.65)	*Low*	1037·52	(7.7.65)
	1956=100.			*1937–39=100.*				

* Ex dividend. † Tax free. § The net redemption yields allow for tax at 8s. 3d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Equivalent to 8·0 sterling. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) Ex all. (h) After Zambian tax. (j) To latest date. (n) Interim since reduced or passed. (p) Resulting from split of Federation of Rhodesia and Nyasaland Stock. Japanese prices supplied by Daiwa Securities, Tokyo. Canadian 65 Stock Industrial Index supplied by the Montreal Stock Exchange. ** Yields in brackets are on forecast dividends.

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, June 30, 1965	Price, July 7, 1965	Yield, July 7, 1965 %	Cover
35/3	28/9	2 a	Tate & Lyle.....£1	31/-	31/-	30/6	6·6	2·9
10/10½	8/4½	18 b	Tesco Stores.....1/-	9/10½	10/3	10/3	(3 9)	2·4
13/10½	12/9	5 a	Unigate.....5/-	13/-	12/10½	12/10½	5·3	1·7
55/-	44/9	‡10⅝b	Brit. Amer. Tobac. .10/-	48/-	47/3	47/6	7·8	2·4
26/4½	21/-	14 b	Gallaher.....10/-	22/9	23/-	23/7½	7·8	2·1
57/3	47/-	14 b	Imperial Tobacco.....£1	49/3	51/-	51/6	7·8	1·6
			INSURANCE					
6⅛	5¼	68 b	Britannic.....5/-	5½	5 15/16	5 13/16	4·7	...
43/9	36/3	28 b	Commercial Union ..5/-	42/3	41/9	42/9	5·3	...
5	4⅛	†40 c	Equity & Law Life ...5/-	4½	4⅝*	4⅝	3·6	...
49/9	40/3	25 b	General Accident....5/-	49/9	44/9	45/3	4·1	...
34/3	27/3	15 b	Guardian.....5/-	29/9	31/3	32/3	4·1	...
9⅝	8¼	50 b	Legal & General.....5/-	9	8¼	8⅞	2·8	...
121/3	97/6	13 b	Northern & Empl.....£1	121/3	107/6	116/3	4·1	...
49/3	37/-	†110 b	Pearl.....5/-	10½	44/3	45/7	4·9	...
33/3	28/3	†47·9b	Prudential 'A'.....1/-	29/6	31/6	32/6	4·1	...
37/9	30/9	20 b	Royal.....5/-	36/3*	35/9	36/3	4·8	...
74/9	62/3	11½b	Royal Exchange.....£1	73/3	66/3	71/3	3·3	...
			MOTORS & AIRCRAFT					
15/1½	12/4½	5 a	Birfield.....5/-	15/-	12/4½	12/4½	4·0	1·9
15/1½	12/11¼	7½a	British Motor.....5/-	14/8¼	13/-	13/-	7·7	1·7
33/1½	26/4½	15 c	Jaguar Cars 'A'.....5/-	30/-	28/6	27/9	2·7	6·8
9/2¼	6/6	4 c	Rootes Motors 'A'....4/-	7/1½	6/7½	6/6	2·5	3·1
58/-	48/-	2½a	Leyland Motors.....£1	53/6	49/6*	48/9	4·5	2·3
18/-	14/6	8½b	Bristol Aeroplane...10/-	15/10½	15/1½	15/1½	8·9	2·0
35/3	27/10½	7 b	Hawker Siddeley.....£1	29/10½	31/6	31/6	7·6	1·7
40/3	31/3¾	7½b	Rolls-Royce.....£1	35/10½	38/-	38/-	5·3	1·9
20/4½	15/3¾	†1·95a	Dowty Group.....10/-	17/10½	16/6	15/10½	5·1	2·0
31/6	26/6	10·8b	Dunlop Rubber 10/-	29/4½	27/-	26/6	6·0	1·8
35/9	31/6	2½a	Joseph Lucas.....£1	32/9*	31/7½	31/6	5·3	2·4
12/5¼	8/9	13 b	Pressed Steel.....5/-	10/11¼	9/9	9/6	9·2	2·0
30/4½	24/6	5¾b	Triplex Holdings...10/-	24/10½	24/6	24/6	(5·1)	...
			PAPER & NEWSPAPERS					
46/6	39/-	20 b	Financial News.....5/-	44/9	39/-	39/6	3·2	2·9
67/-	59/-	30 b	Financial Times.....5/-	66/9	59/-	59/6	3·2	2·7
18/3	15/7½	14 b	Internat. Publishing..5/-	15/9	16/3	16/4½	6·1	1·8
31/6	22/9	16 b	News of the World..5/-	27/3	23/3	23/3	6·5	1·7
56/6	49/6	8½b	W. H. Smith & Son 'A'.£1	53/-	51/-	49/6	5·1	2·0
21/9	17/9	18 b	Thomson Org'n. 5/-	20/3*	19/4½	19/3	7·3	1·4
46/-	38/7½	8½b	Bowater Paper.....£1	45/9	41/-	41/-	6·7	1·8
21/9	18/-	10 a	British Printing.....5/-	19/3	20/3	19/-	5·9	1·8
30/-	24/-	17½c	Bunzl Pulp.....5/-	27/9	26/9*	27/-*	3·2	4·5
57/6	47/-	12 b	Reed Paper.....£1	50/9	52/6	52/-	6·5	1·5
50/1½	44/9	10 b	Wiggins Teape.....£1	46/9	45/-	44/9	6·3	1·9
			STEEL					
42/3	25/10½	6 a	Colvilles.....£1	28/6	32/-*	31/6	10·2	1·4
29/-	23/4½	4 a	Dorman Long.....£1	25/3	27/-	26/-*	10·8	1·2
31/-	19/-	2 a	Lancashire Steel.....£1	19/3	21/6	21/9	(n)	0·9
24/-	16/6	4 a	South Durham.....£1	18/-	19/11½*	18/8¼	12·8	1·3
78/6	17/7½	3½a	Steel Co. of Wales....£1	19/-	23/-	23/3¾	8·6	...
36/3	30/-	5 a	Stewarts & Lloyds £1	32/3	32/7½*	32/6	10·8	1·6
35/3	27/3	6 a	John Summers.....£1	30/3	33/-*	32/3	9·9	1·7
36/6	27/-	6 a	United Steel.....£1	29/3	29/6*	29/9	10·1	1·1
			MISCELLANEOUS					
26/4½	23/-	20 b	Assoc. British Picture 5/-	23/10½	23/9	23/-*	6·5	3·0
14/11¼	12/10½	12½b	Assoc. Television 'A'.5/-	14/2¼	13/11¼	13/11¼	8·1	2·0
30/3	27/1½	6½b	Wm. Baird.....£1	29/1½	29/-	27/9	6·8	2·4
22/3	19/-	11 b	Beecham Group.....5/-	19/10½	19/7½	19/7½	5·1	2·0
19/3	16/9	†6½b	Bookers.....10/-	19/-	16/9	17/-	10·0	2·1
44/-	37/3	3½a	British Match £1	41/1½	40/-	37/3	5·8	1·9
10/3	8/7½	3 a	British Oxygen.....5/-	9/1½	8/9	8/8¼	5·8	1·6
12/9	9/4½	11 b	British Ropes 5/-	11/-	10/9	11/-	6·4	1·8
11/6	9/4½	37½b	Butlin's 1/-	10/9	9/6*	9/6	5·8	1·2
31/9	23/9	10 b	De La Rue.....10/-	27/6	25/3	23/9*	6·3	1·7
19/-	13/10½	12 c	Dragos.....5/-	16/10½	14/11½*	14/4½	4·2	2·9
25/9	19/6	4 b	Gestetner 'A'.....5/-	25/3	20/6	19/9	4·1	2·7

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, June 30, 1965	Price, July 7, 1965	Yield, July 7, 1965 %	Cover
32/7	29/6	6 a	Glaxo 10/-	31/3*	30/6	30/1½	4·5	2·3
46/9	38/9	3 a	Harrisons & Cr. Defd..£1	42/3*	44/6	43/6	6·9	2·0
48/4½	40/10½	45 b	Hoover 'A' 5/-	45/3	42/4½	40/10½	7·3	2·1
102/6	85/6	13·27b	Hudson's Bay £1	92/3	88/-	88/-	4·6	2·4
48/6	32/6	4½a	ICT.....£1	44/3	33/-	33/-*	6·8	...
20/3	16/-	12 b	Mecca 'A' 5/-	17/-	16/10½	17/1½	6·7	1·0
35/-	27/-	12½c	National Canning £1	29/1½	28/6	27/-	9·3	1·1
21/3	16/-	8 b	Powell Duffryn.....10/-	19/4½	17/4½	18/3	6·0	2·1
31/3	21/1½	8 a	Rank Organisation...5/-	24/6	21/1½	21/7½	(4·9)	2·6
13/1½	11/7¼	9½b	Schweppes 5/-	12/-	12/9	12/9	5·3	1·6
21/6	18/3	25 c	Sears 'A' 5/-	19/6¾*	19/11¼	19/6	6·4	1·6
18/-	15/2¼	11·2b	Steetley 5/-	20/1½	15/9	15/7½	4·9	2·0
25/4½	21/4½	10½b	Thomas Tilling 4/-	23/6*	22/6	21/4½	5·3	1·9
43/7½	35/-	3¾a	Turner & Newall.....£1	42/-	36/9¾*	35/-	6·1	1·7
36/1½	30/4½	15¾b	Unilever 5/-	31/9*	31/9	31/3	4·0	3·0
9½	8¼	13·25b	Unilever NV ..... 12 fl.	8 1/16	9	9⅛	2·7	3·0
11/7½	8/3	10 b	United Glass..... 5/-	11/1½	8/9	8/6	8·8	0·8
34/7½	25/-	†8¼a	United Molasses 10/-	33/-	32/6 bid	31/6 bid	(4·8)	...
			MINES					
293/9	238/9	80 a	Anglo-American....10/-	271/3*	288/9	290/-	4·1	1·8
20/9	17/-	...	Charter Cons. 5/-	19/7½	18/1½	18/9	...	...
101/3	86/6	11¼a	Consolid. Gold Fields.£1	95/9*	95/9	95/9	6·3	2·2
146/3	130/-	20 b	General Mining £1	136/10½	141/3	141/10½	4·9	2·5
116/3	103/1½	120 b	Union Corporation ..2/6	108/9	110/-	112/6	3·6	3·0
143/1½	121/3	120 b	Free State Geduld ...5/-	128/9*	136/3	136/10½	6·9	1·3
125/7½	101/10½	40 b	W. Driefontein.....10/-	113/9	123/9	123/1½	6·1	1·9
83/9	60/-	6¼a	Western Deep 'A'....£1	78/1½	78/1½	77/6	3·9	4·9
227/6	198/9	160 b	Western Holdings ...5/-	213/9*	221/10½	221/10½	6·2	1·2
52/3	38/-	8 17/32a	Rean Selection Tst. ...£1	40/-	41/3	43/9	10·0h	1·2
13/7½	11/3	7½c	Tanganyika Cons.....10/-	12/3	12/3	12/-	6·3	1·2
63/6	54/3	40 a	Z. Anglo-Amer.....10/-	57/9*	55/3	56/6	15·9h	1·2
166/3	142/6	60 a	De Beers Defd. Reg..5/-	151/1½*	162/6	165/-	4·5	2·2
$183	$154	$2·75c	Internat. Nickel ...n.p.v.	$167½	$164½	$165½	3·0	...
18/10½	14/3	32½b	London Tin.....4/-	16/10½	14/6	14/-	11·4	1·4
29/8¼	24/8	14¼b	RTZ.....10/-	28/7½	24/4½	25/-	(7·6)	2·0
20/-	11/9	32½a	Transvaal 5/-	18/6	12/6	13/3	18·9	1·0
			SHIPPING					
44/-	20/-	2 a	Anglo Norness.....£1	34/3	20/3	21/6	7·0	4·0
19/3	16/9	8	Brit. & Com'wealth.10/-	19/-	16/9	17/6	6·9	1·4
17/0¾	13/8¼	5 c	Cunard £1	15/3¾	13/11¼	13/9	7·3	...
36/6	29/3	10 c	Furness Withy £1	30/-	30/9	30/9	6·5	...
32/6	24/6	7 b	P & O Defd.....£1	27/4½	25/3	24/9	8·1	0·6
			TEXTILES					
12/11¼	9/11¼	9 b	English Sewing Cotton 5/-	10/5¼	10/0¾	10/0¾	7·5	1·8
22/9	18/9	16½b	Courtaulds 5/-	19/-	19/-	18/9	6·7	1·7
66/3	50/-	6 a	West Riding Worsted.£1	54/6	50/-*	50/-	7·2	1·7
21/10½	18/4½	2½a	Woolcombers.....£1	19/10½	19/10½	19/10½	10·1	1·1
12/11¼	10/2¼	6 a	Calico Printers.....5/-	10/9¾	10/8¼	10/8¼	(7·5)	2·4
44/9	36/4½	8¼b	Coats, Patons & B.....£1	40/9	37/3¾	36/8¼	7·4	1·7
15/3¾	10/9	11½c	Viyella Int.....5/-	21/-*	11/-	11/-	5·3	2·0
			TRUSTS & PROPERTY					
24/3	20/-	10½b	Alliance Trust.....5/-	24/3	20/9	20/10½	4·2	1·2
54/3	45/10½	37½b	BET 'A' Defd.....5/-	49/10½	46/11½*	45/10½	6·8	1·7
18/6	14/9	7½b	Cable & Wireless....5/-	18/6	15/-	14/9	4·6	1·3
17/9	13/5¼	10½b	Philip Hill 5/-	15/6	13/6	13/9	5·8	1·2
30/-	25/6	15½b	Industrial & General .5/-	29/9	26/-	25/9	5·2	1·2
29/11½	23/10½	12½a	City Centre Props. ..5/-	27/7½	25/3	25/-	6·0	1·1
60/6	47/9	10 b	City Lond. Real Prop..£1	53/6	57/-	58/-	5·5	1·1
18/3	15/-	5¾b	Land Securities.....10/-	15/10½	16/9*	17/1½	4·5	1·1
28/6	23/7½	10 b	Lond. Cnty. Freehld..10/-	24/9	27/7½*	28/6	6·4	1·1
			TEA & RUBBER					
49/-	40/6	†22½b	Cons. Tea & Lands ...£1	49/-	42/9	42/9	19·9	1·5
25/3	16/-	†2 a	Jokai (Assam) £1	20/9	16/6	16/6	16·5	...
3/3¾	2/5¼	12½a	Highlands & Lowlands 2/-	3/0¼	2/6¾	2/6¾	15·8	1·5
3/9	3/3	25 b	London Asiatic 2/-	3/7½	3/4½	3/4½	17·8	1·7

NEW YORK PRICES AND INDICES

	June 30 $	July 7 $		June 30 $	July 7 $
Atch Topeka	31⅛	31¼	Gen. Electric ...	95⅞	98⅝
Can. Pacific.....	57	57⅛	General Foods ..	78⅞	79⅛
Pennsylvania	38½	38⅝	General Motors .	95⅝	96⅞
Union Pacific	38¼	39	Goodyear	50	50¾
Amer. Electric ..	42⅝	43⅛	Gulf Oil	54⅞	56
Am. Tel. & Tel. ..	67⅝	67¾	Heinz	41¼	41⅜
Cons. Edison	44⅝	44¼	Int. Bus. Mach. ..	458	458
Int. Tel. & Tel. ...	54⅝	53¾	Int. Harvester	36½	36⅝
Western Union ..	39⅛	39½	Inter. Nickel	83¾	83½
Alcoa.....	71⅝	72¾	Inter. Paper	30¼	30½
Aluminium	26⅞	25⅞	Kennecott.....	101½	103⅝
Amer. Can.	45¼	47⅝	Litton Inds.	84¼	85⅞
Am. Smelting	50¼	51	Monsanto	87½	87
Am. Viscose	89½	89½	Nat. Distillers ..	30⅞	31⅛
Anaconda	60⅝	63½	Pan-American ..	27⅝	27¼
Beth. Steel	35⅝	35¼	Procter Gamble.	72¼	73
Boeing	66⅞	68¾	Radio Corpn.	34⅛	33¾
Celanese	78¼	77½	Sears Roebuck ..	68⅛	67⅛
Chrysler	46¼	46	Shell Oil	59⅞	61⅛
Col. Palmolive ...	47½	48⅝	Socony-Mobil ...	83⅛	85⅛
Crown-Zeller ...	52¾	52⅞	Stand. Oil Ind. ...	45⅝	47½
Distillers Seag. ...	34⅝	34	Stand. Oil N.J. ...	78¼	76½
Douglas.....	37⅞	36⅞	Union Carbide ..	60½	59¼
Dow Chemical...	70⅝	69¼	U.S. Steel	48⅝	47¼
Du Pont	235½	233⅝	West. Electric ..	47⅞	47⅞
East Kodak	79¾	80½	Woolworth	29¾	29⅝
Ford Motor	52⅝	52½	Xerox	141¼	144⅛

Standard and Poor's Indices (1941–43 = 10).

1965	425 Industrials	Yield %	Govt. Bonds	Yield %
June 9	90·20	3·01	87·04	4·17
" 16	90·35	3·00	87·16	4·16
" 23	89·80	3·02	87·16	4·16
" 30	89·12	3·04	87·16	4·16
July 7	89·65	3·03	87·06	4·17

425 Industrials :—High, 95 79 (May 13). Low, 89 06 (Jan. 4)

Money Market Indicators

Finance houses were paying more for three months' money, reflecting an increased demand for hire purchase facilities, but the local authority rate eased $\frac{1}{16}$ per cent and Treasury bill rate was again reduced by the same amount. The sharp reaction of the Bank to this reduction, by forcing large scale borrowing from it, can be explained by the weakening of the forward pound. The cost of forward cover has risen by $\frac{1}{16}$ per cent and, with interest rates lower in London, covered arbitrage margins have moved very sharply in New York's favour despite the fall in Treasury bill rate there, and an easing in the three month Euro-dollar rate.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91-Day Average Rate of Allotment	Allotted at Max. Rate*	Tender Issue Outstanding
			s. d.	%	
1964	91-Day				
July 3	230·0	408·7	99 4·72	40	2,980·0
1965					
Mar. 19	180·0	316·4	129 10·70	25	2,350·0
" 26	180·0	322·6	130 11·68	31	2,330·0
April 2	180·0	325·0	130 11·69	22	2,290·0
" 9	170·0	320·6	129 10·59	52	2,280·0
" 15	160·0	277·2	128 9·36	24	2,270·0
" 23	160·0	280·8	127 11·97	28	2,260·0
" 30	160·0	373·8	127 6·80	31	2,260·0
May 7	160·0	371·4	126 2·47	41	2,260·0
" 14	160·0	324·3	125 5·69	13	2,260·0
" 21	195·0	431·5	125 6·98	19	2,260·0
" 28	170·0	293·1	127 3·34	61	2,260·0
June 4	170·0	313·1	112 9·31	48	2,250·0
" 11	170·0	330·9	112 8·99	35	2,240·0
" 18	210·0	410·9	111 9·57	34	2,210·0
" 25	170·0	302·4	110 10·02	50	2,240·0
July 2	170·0	402·0	110 0·66	22	2,230·0

* On July 2nd tenders for 91-day bills at £98 12s 6d secured 22 per cent, higher tenders being allotted in full. The offer for this week was for £170 million 91-day bills.

KEY MONEY AND ARBITRAGE RATES

London — July 7

	%		
Bank rate (from 7/6 3/6/65)	6	Market discount rates (3 months')	%
Deposit rates		Treasury bills	5½
7 days' notice:		Bank bills	5 15/16–6
Clearing banks	4	Fine trade bills	7–7½
Discount houses	4		
Local authorities	6⅛–6¼	Euro-dollar deposits:	
3 months' fixed:		7 days' notice	4¼–4⅝
Local authorities	6⅜–6½	3 months'	4⅝–5⅛
Finance houses	7–7⅛		
Call money:		Euro-sterling deposits: (in Paris).	
Clearing banks' minimum	4½	2 days' notice	5⅞–6⅜
Day-to-day spread	4⅜–5¼	3 months'	6½–7
US dollar exchange:		Forward rate:	
Spot rate	2·79 15/16–9/16	(3 months')	17 14–15/16 c pm
Forward cover (3 months):			
Annual indirect cost			1⅞–2 1/16

New York

Treasury bills:		Market paper:	
June 30	3·78	Bank bills	4·25
July 7	3·85	Certs. of deposit	4·30

Covered Arbitrage Margins

	In favour of: Last week:	This week:
Treasury bills	N. York 1/32	N. York 5/16
Prime bank bills	N. York 3/32	N. York 1/8
Euro-dollar/UK local authority loans	N. York 9/32	N. York 13/32
Euro-dollar/Euro-sterling	N. York 5/32	N. York 5/32

These covered arbitrage margins show the differentials in rates for particular sterling and dollar assets, as adjusted for the cost of forward exchange cover, shown above.

THE ECONOMIST THIS WE

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

MR HEALEY'S £2,000 MILLION

[illegible] target rates [illegible] pro-
[illegible] is the ceiling that the Government is trying to fix on Britain's defence [illegible] is going to involve some cuts in Britain's defences between [illegible] the cuts he wants by cutting fat. Where's the rest [illegible] Mr Healey's problem in Russia runs in the opposite direction [illegible]

[illegible] LIQUIDITY AND MR FOWLER'S SURPRISE

[illegible] explanation [illegible] Secretary of the Treasury has reversed [illegible] international conference on world monetary [illegible] the pack [illegible]

[illegible] PLAN

[illegible] Mr Enoch [illegible] earning more and more respect, if not [illegible] for his concerted [illegible] and a lively group of anti-planners are [illegible] Mr George [illegible] National Plan when it comes out in September. Is this becoming the new [illegible] conventional thought? page 217.

BANNING SOME BOMBS?

The Russians have at last agreed to return to Geneva for talks on disarmament. A *non-proliferation* agreement and a ban on *underground tests* are two subjects the negotiators should start thinking about. But the Germans still don't want to non-proliferate until they've been multilateralised page 215.

MORE EUROPEAN THAN THE GENERAL

Washington [illegible] the European market's crisis is the result of uncertainty about [illegible] intentions and about how far the other European countries [illegible] about the extent to which American interests [illegible] believes in the European Community, particularly [illegible] in the Kennedy round of tariff negotiations page 237.

[illegible] COLLISION COURSE?

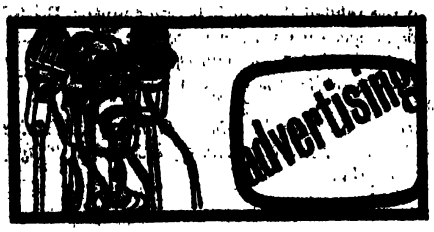
This year tramp freight rates are at their highest level since Suez, but seventy per cent of Britain's dry cargo fleet are liners which cannot take advantage of rising freight levels and are becoming increasingly hamstrung by the Conference freight structure page 257.

JAPAN'S SOFT-SKINNED VEHICLES

Even if those Japanese cars are on the way to the West, their makers are awfully worried about the western cars that may be on the way there. But with the Samurai of the Ministry of International Trade and Industry to help them, not a foreign bandit shall be allowed to drive into the stronghold page 259.

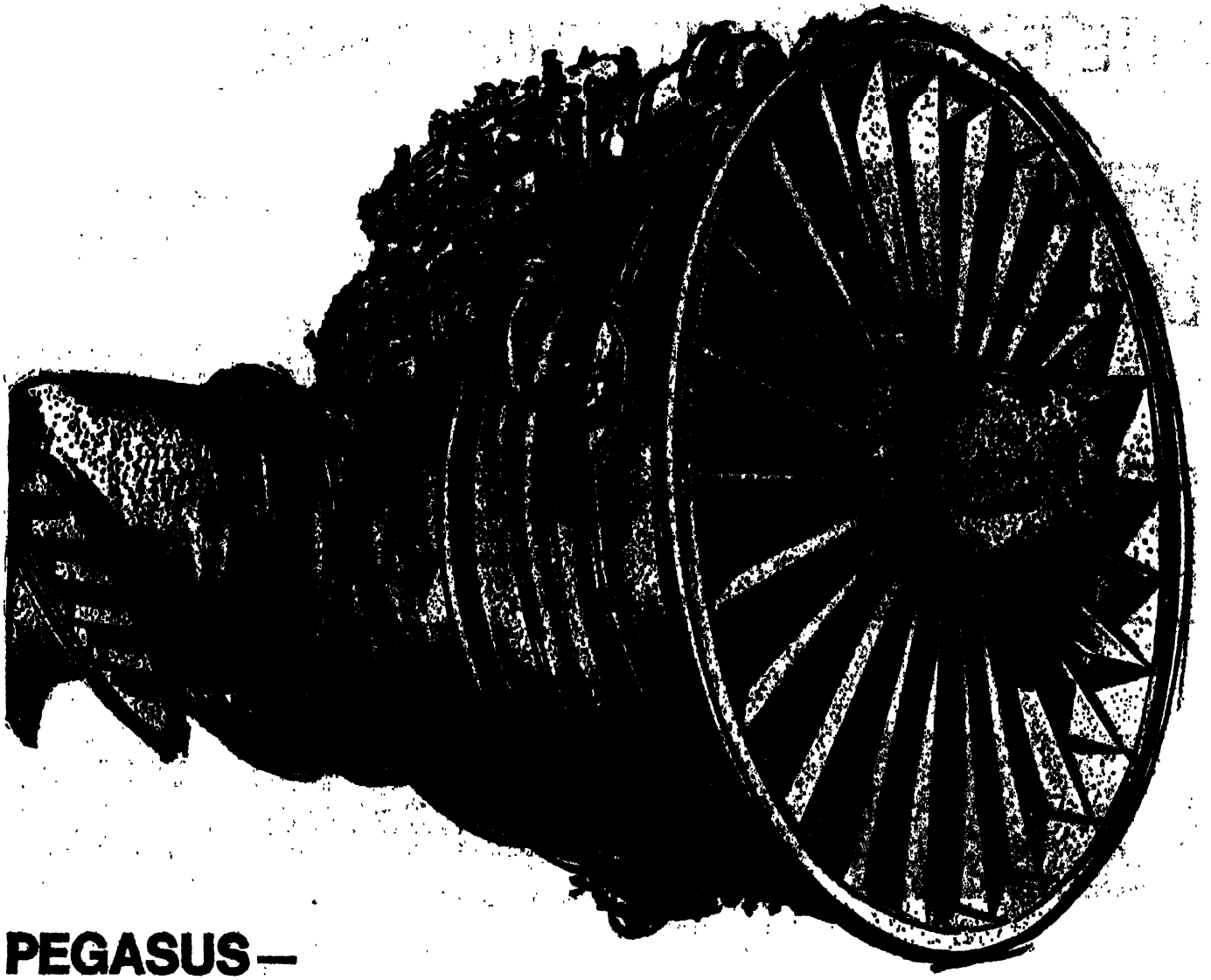
PRESIDENTIAL CAMPAIGN, 1964

Theodore White's second instalment in his planned series on each presidential election from 1960 to 1980 has been published in America. The first one gained excitement because the author became a convinced Kennedy man. He views President Johnson with more detachment, but his feeling for the general exhilaration of politics is unequalled page 249.



WHERE DOES ALL THE ADVERTISING GO?

Whenever advertisements are allowed on television—even to a limited extent on state-run networks—other mass media are badly hit. But where newspapers the world over always seem to suffer, mass-circulation magazines seem to be able to hit back. And in the United States recently radio has shown a surprising resilience page 254.



PEGASUS—
a major breakthrough in aero power.

Vertical take-off and forward flight from the same engine. Powers the world's first V/STOL squadron.

VERTICAL take-off isn't new. Helicopters have been doing it for years. But vertical take-off combined with near supersonic speed *from a single engine* is an achievement—a Bristol Siddeley achievement.

Pegasus is the engine, a vectored-thrust turbofan that makes the Hawker Siddeley V/STOL Kestrel strike aircraft so manoeuvrable it can dance on air.

The tactical possibilities are enormous. An aircraft equipped with Pegasus is immediately endowed with flexibility, mobility and surprise—three indispensable elements in combat.

Hence the decision of Britain, the United States and West Germany to form a joint "pioneer" squadron of Kestrel aircraft, powered by Pegasus, the world's most experienced V/STOL engine.

In the related field of helicopter power, Bristol Siddeley gas turbines are in service with seven types of helicopter ordered by no less than sixteen nations.

Bristol Siddeley Engines Limited. Executive Headquarters: Mercury House, 195 Knightsbridge, London SW7.

Bristol Siddeley supply the power

SECOND CLASS POSTAGE FOR *THE ECONOMIST* PAID AT NEW YORK, N.Y.
Published weekly every Saturday, fifty-two times a year in London, England.

LETTERS

Common Market

SIR—At the end of a long tunnel of hypothesis in your leading article last week comes the light of a suggestion: if France leaves the common market, Britain should try to slip into the vacated place.

Certainly, under the conditions you envisage, the economic adjustments this country would have to make to secure entry might be assumed to be less radical than those Mr Edward Heath had to contemplate last time. This would imply that the United Kingdom could more easily slough off her obligations to Efta and the Commonwealth.

But what of the diplomatic price Britain might well have to pay for submerging herself politically in a European community which, in power terms, had come to mean west Germany and the rump? In essence, this would be what no British statesman since Joseph Chamberlain has been openly anxious to promote: an Anglo-German alliance.

Not least of the many factors working to estrange the France of General de Gaulle from the common market is west Germany's inability to smother the genral's diplomatic initiatives towards Russia. Why should the west Germans, "the only country in Europe with a grievance," be any more willing to welcome the freedom of diplomatic manoeuvre which Britain has tried to maintain with Communist countries in recent years?

If there is a good case to be made out that, for Britain, the economic advantages of joining a common market without France would increase, there are also grounds for arguing that the diplomatic and political case against entry would be compensatingly strengthened.
—Yours faithfully,

CHRISTOPHER NICHOLSON

Didsbury, Manchester 20

SIR—Friends of France and Europe must regret as you do (July 10th) the present crisis of the common market. The European convoy has been retarded by a slow-moving member. Was it not, however, steered on to a predictedly hazardous course by those Eurocrats who had overestimated the potentiality of the "widespread commitment of Europeans including many Frenchmen to its [the community's] integrationist ideals" to which you refer?

In these circumstances, is it really the "best way" that the United Kingdom should await "a reorganised European community which, *shorn of France*, [my italics] could have an agricultural policy less alarming to the British consumer, etc., etc."? Whatever tactical purpose such an attitude might serve, surely "Europe" can mean little to this country (or to any other) unless the term includes Germany *and* France, the healing of whose feuds provided, indeed, the basic inspiration for the concept.

I suggest we for our part might now concentrate on showing with unmistakable clarity our readiness to join a western Europe conceived on the general lines of the Treaty of Rome. Interest in surgery might be left to those less committed by geography and recent history to Franco-British understanding.

At the risk, Sir, of quoting you out of context, when it comes to Europe without France I would endorse your view that "the best British policy is to shut up and do nothing."
—Yours faithfully,

KENNETH COHEN
Vice-Chairman
The Franco-British Society

London, W1

State Industries

SIR—It was pleasing to see you (July 10th) supporting the view that criteria for new investment in nationalised industries should have nothing to do with the financial objectives which are set for the industries by the Government. But the argument against the existing system is not simply that the existence of different financial objectives (expressed as a rate on capital) may lead to different rates of return being used in the appraisal of new investment projects in different nationalised industries.

Suppose we are concerned with the very different problem of deciding between two alternative technical methods of producing a given commodity—electricity, say. Here we may well have to compare two entirely different bundles of resources, one much more capital-intensive than the other; and our horizon will be limited to a single industry. Given that both bundles of resources would produce the same product, and that both would yield financial returns at least sufficient to satisfy the prescribed objectives, we would presumably want to choose the variant which produced the given result at the lowest cost. But how should we measure this cost, and in particular how should we measure the *capital* cost involved?

The danger here, when Government objectives prescribing a particular rate of surplus are in force, is that the industry concerned, when calculating capital costs, will use a rate of discount equal in effect to the long-term borrowing rate *plus* the prescribed rate of surplus. This has in fact happened in at least one important nationalised industry. Logically, such a procedure is quite indefensible: the real cost of capital to the public sector should presumably be measured with reference to the rate which *a unit of capital* could have earned at the margin if invested in private industry (a rate which in competitive conditions would tend to approximate to the market rate of interest) and not with reference to the returns (including net profits) which some given *bundle of resources* could earn in private industry.

It may happen, of course, in conditions where the industry's borrowing rate does not adequately reflect the real cost of capital, that this logically indefensible procedure will in fact lead to something like the "right" rate of discount being chosen; and it may well be that some nationalised industries had this consideration fully in mind when negotiating with the Government over their target rates of return. But a much more satisfactory procedure would be that which seems to be suggested in your article—the fixing of *separate* (and of course uniform) rates of discount for use by nationalised industries when deciding between alternative investment projects. Not only would such a procedure be more logical, but it would also help to ensure that capital-intensive projects were not arbitrarily discriminated against.—Yours faithfully,

RONALD L. MEEK
Department of Economics

The University, Leicester

Next to Sir Alec

SIR—From the point of view of a progressive Conservative you have surely failed (July 10th) to emphasise one fundamental reason why it would be quite wrong to favour Mr Heath over Mr Maudling.

It was in no small measure due to the efforts of Mr Heath that in 1963 the party passed over Mr Butler and made the abysmally bad choice of Sir Alec—at one stroke turning, probably, over a million potential Tory votes Liberal. This suggests that either Mr Heath's judgments are not sound, or, in my view more probably, that on this occasion Mr Heath decided to work for the less able candidate in order to further his own political ambitions.—Yours faithfully,

Congleton, Cheshire B. W. B. BERESFORD

Teachers

SIR—Your article, "Teach Your Grandmother" (July 10th) seems to contain one glaring error. To say that the £630 starting salary compares with that of a junior executive aged 21, is wide of the mark.

I have been dealing with students seeking a business career after four years of study for several years, and at the moment £850 is a common salary to begin with. Salaries up to £1,000 and over are possible.—Yours faithfully,

C. A. HORN

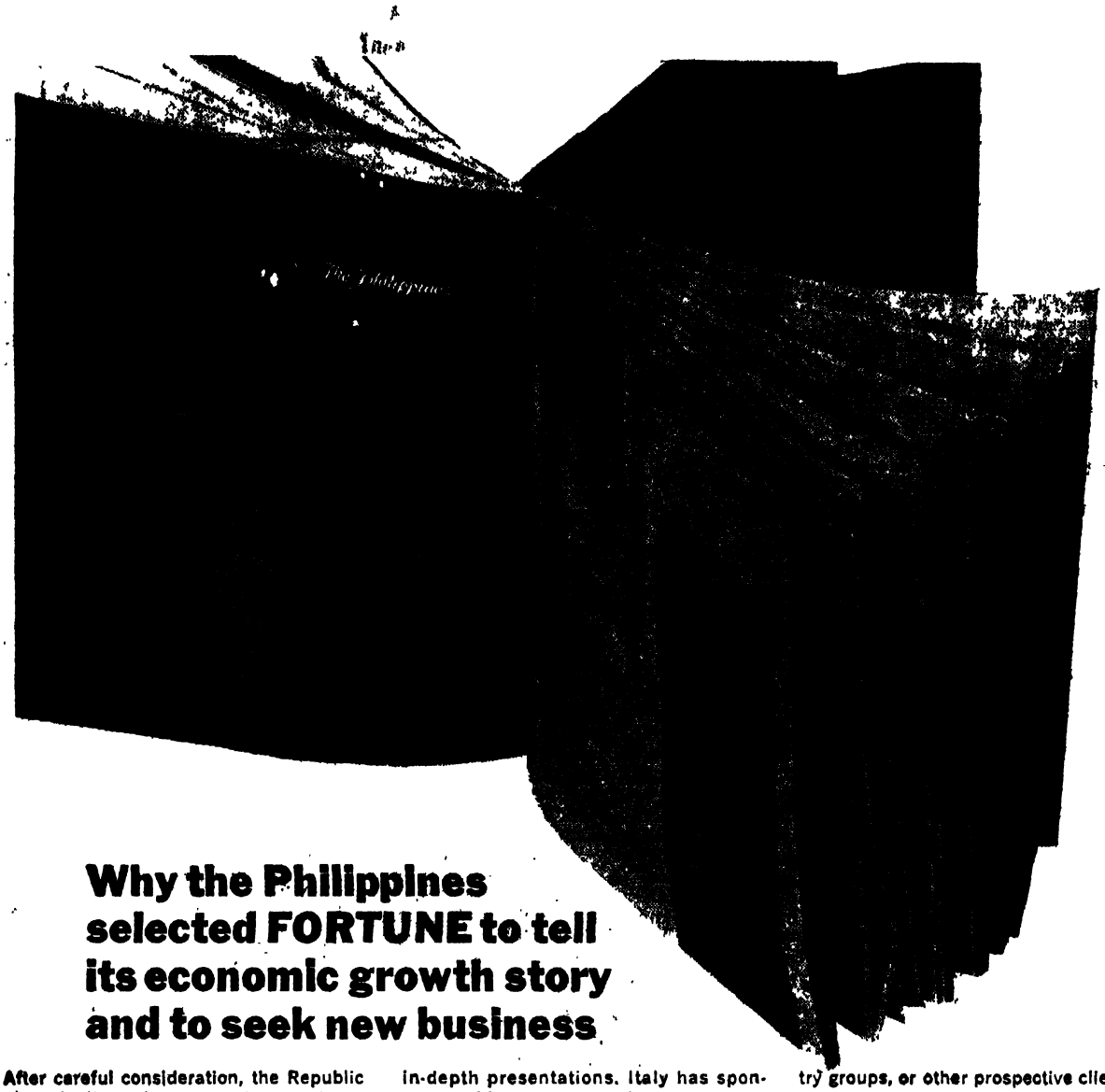
Waterlooville, Hampshire

*

SIR—How sensible is much of your leading article of July 10th. Four comments:

1. To your remarks about top salaries I would add the need to provide a realistic pension scheme to cover widows and children.
2. If the Government really took the shortage seriously, the existing pension regulations would be modified to make it more attractive for men to continue on a part-time basis after 65, and the tax-relief now available in respect of resident domestic help would be brought up to date and applied to non-resident help to encourage married women to return to teaching.
3. It is mainly a matter of more money. We are already too highly taxed: why not charge fees, possibly low fees, to all except the very poor? The doctors, with

Continued on page 211



Why the Philippines selected FORTUNE to tell its economic growth story and to seek new business

After careful consideration, the Republic of the Philippines selected the June issue of FORTUNE as the exclusive medium to carry its dramatic story of economic progress to business leaders in the U.S. and abroad. The result: a special section comprising 33 pages of colorful display and text promoting Philippine economic development and focusing on perhaps the most selective management audience in the world.

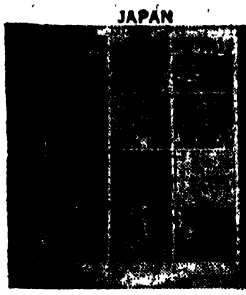
The Philippines found in FORTUNE a direct route to men of leadership in business and the government... men with the power and the authority to aid in the economic development of the country. Other nations have also used the pages of FORTUNE for in-depth presentations. Italy has sponsored a 22-page section. Japan has sponsored four consecutive annual sections in FORTUNE. States and cities, such as New York, Chicago, New Jersey, Michigan, Minnesota, Ohio, Iowa, Colorado, California, and Indiana, all have run special sections in FORTUNE to promote area and economic development.

FORTUNE's experience in assisting organizers of sections can be of invaluable guidance to prospective sponsors, in developing plans, attracting cosponsor support, and in the planning and preparation of the advertising section. Inquiries are invited from nations, states, cities, trade and industry groups, or other prospective clients interested in communicating to the influential FORTUNE audience. Portfolios of previous special sections, rates, and results are available for those who request them on company letterhead.

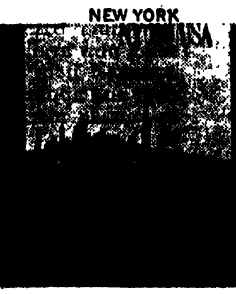
To find out more about FORTUNE advertising sections, contact: In England: Robert Dumper, Time & Life Bldg., New Bond Street, London W. 1, England... In Germany: Carl Farner, Berliner Allee 61, Düsseldorf, West Germany... In Japan: B. S. Hirai, Asahi Bldg., 3, 6-chome, Ginza Nishi, Chuo-ku, Tokyo, Japan... In the United States: Thomas Curtin, Time & Life Bldg., Rockefeller Center, New York, N.Y. 10020.

Recent Advertising Sections in FORTUNE:

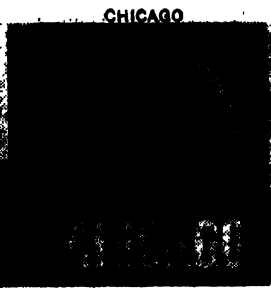
JAPAN



NEW YORK

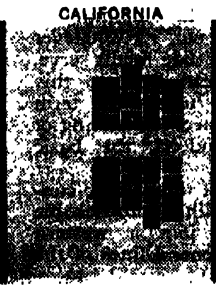


CHICAGO



NEW JERSEY

CALIFORNIA



ITALY

Continued from page 209

great good sense, want to do it. Is not this the way forward for the welfare state, the way to end "public squalor" in the midst of "private affluence," and encourage people to appreciate what they get now for nothing?

4. Ancillaries may be useful in schools for young children. I do not see how much use could be made of them in grammar schools, or in secondary schools generally.

—Yours faithfully, D. P. W. PEGG
Ipswich, Suffolk

Reforming Lawyers

SIR—Your penetrating article of June 26th should point the way to urgent, practical steps to eliminate some of the intolerable anomalies and inconveniences to which it draws attention. I very much fear, and I have little doubt the writer of the article would be only too ready to agree, that by itself it will not. It will simply produce the time-honoured platitudes and unconvincing justifications advanced by lawyers for so long.

It is useless to embark upon radical schemes of substantive law reform while the profession remains in its present unsatisfactory state. If the influence of the law upon men is great, that of men of law upon the law itself is even greater. None of the arguments for the retention of the present division of the profession can be seriously sustained upon an examination of the evidence. Such an examination will never be initiated by the profession itself and the sooner this is realised the more likely will be the prospect of real reform. It has long seemed to me that once the litigant has grasped what the present arrangements mean in economic terms there can scarcely be voices raised, save, of course, from the legal profession, against an impartial examination of the facts. A Royal Commission would seem to me to be most appropriate and timely. It has long been averred that justice is blind; in the matter of reform of this sort it cannot afford to be deaf as well.—Yours faithfully,

H. H. A. COOPER
Professor of Constitutional Law,
La Universidad Nacional
Lima, Peru Mayor de San Marcos

Mantaro Project

SIR—Your readers may like to be reminded that the Mantaro project referred to in your issue of July 3rd is an international enterprise involving not only Britain, but West Germany, Peru, and also Italian consulting engineers. Contrary to the comment which your Bonn correspondent quoted from *Die Welt*, there has been no slackness on Britain's part in handling the prolonged negotiations, nor has there been any recent meeting from which "the principal negotiator was unexpectedly absent."

As that principal British negotiator, I can assure you that not only my company, but all other companies involved, the Board of Trade, the Export Credits Guarantee department, and both the British and German financial authorities have met all the requirements of our customer, and it only remains now for the Peruvian government to endorse a revision of the Mantaro contract allowing the works on the various sites to continue. The revision of the contract results from increased scope of the works leading to the need to provide more local funds; the appropriate increases for foreign exchange have already been provided for in revised financial proposals, which both the British and German authorities have made to Peru.—Yours faithfully, A. T. WRIGHT

Deputy General Manager,
The English Electric Company Limited
London, WC2

Mexico's Economy

SIR—The British Chamber of Commerce here has prepared the following comments on your excessively gloomy piece on Mexico's economy ("Trouble Ahead?", March 20th).

Mexican Stock Exchange: The growth of the Mexican stock exchange during recent years has been dramatic, but its activities still reflect only a small part of the country's total capital movement. Even if, as your correspondent suggests, 80 per cent of the transactions on the exchange were effected on behalf of United States clients, Mexican participation in general trading provides an infinitely greater proportion of the total. American clients naturally turn to the exchange—a system with which they are familiar—while Mexicans utilise more familiar channels. Far from there being any decline in either the exchange or general fields, most weighted stock-exchange indices reached an all-time high in mid-May, and there has been only a slight recession since then.

Local Capital Availability: Perhaps your correspondent's most vulnerable suggestion was that the recent inability of an unnamed firm to raise US$1.6 million in Mexico demonstrated a general shortage of venture capital. There are numerous examples of much larger sums having been raised in recent months, and various public and private offers have been very much oversubscribed.

Change of Administration: As in all countries, a major change of administration will act as a brake on economic activity, particularly in the public sector. However, as your correspondent points out, the current transfer has been in fact the smoothest in modern times. There was no real business recession. Many of the problems referred to were caused by a new phase of import licensing made necessary by the continued development of the economy, or by a beneficial change-over from Mexico's old individual categorisation to the so-called Brussels nomenclature.

Pressure for Mexican Partnership: The arguments for participation by local capital are too well known to need repetition. Indeed, this chamber has frequently pointed out the many commercial advantages derived by obtaining Mexican partners for new or expanding enterprises. The real national advantages continue to dominate the pragmatic and realistic policies of the Mexican authorities. For instance, the government has recently invited certain large foreign groups to set up wholly-owned subsidiary companies in Mexico, since it was felt that these operations would greatly assist in the nation's economical advancement and improve its ability to utilise its natural resources. On the other hand, any medium or smaller sized firms investing in Mexico are unlikely to encounter any pressures in this field.

Finally, it is incorrect to imply that Mexican business attitudes are based on a reliance that "Uncle Sam will come to the rescue if Mexico gets into serious trouble. . . ." Naturally, Mexico's economy is closely related to that of her northern neighbour, but this continues to hold good for most western countries today, and is no cause for special criticism. As your correspondent states, there is no new Mexican political or economic factor which would appear in any way likely to alter or restrict the steady progress which the country has been making during the last few years.—Yours faithfully, K. S. MAIR

Manager,
British Chamber of Commerce
Mexico City

Portuguese Writers

SIR—Although your article "Novel and Nemesis" of June 5, 1965, has a true basis, the information is tendentious and, as it does not reveal the whole truth, it falsifies the sense of the news. Everybody here knows that contrary to your affirmation the Jury of the Society of Writers (predominantly composed of opponents to our political system) chose this book of no literary value ["Luuanda," by Luandino Vieira], which did not even apply for this prize, only to satisfy a machination of base political propaganda.

For your and your readers' peace of mind, we can inform you

(a) that the three members of the jury who were arrested for interrogation and investigation have been set free;
(b) that the demonstration of students at the Book Fair was limited to a few shouts and a march of about twenty students, obviously directed by professional rioters, whom nobody noticed or interfered with;
(c) the protest signed by a hundred writers was not destined to ask for the poor ingenuous members of the jury to be set free, as they are free already, but to ask the government to reopen the Society of Writers and to ask that no pressure be put upon the members of the jury.

—Yours faithfully, MANUEL LEITAO CRUZ
Sociedade Portuguesa de
Lisbon Petroquimica

EIU Quarterly Economic Review

ARGENTINA

The optimistic vein of the revised version of the development plan seems out of place in view of the unresolved negotiations with IMF and the Paris Club, the current weakening of the peso and the government's failure to contain the cost of living. The current review assesses economic prospects in this context.

Details and subscription rates from:
THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St James's Place London SW1
HYDe Park 6711 ext 27
60 East 42nd Street New York NY 10017
Murray Hill 7-5850
Wright, Boone, Emmet & Partners SRL,
Casilla de Correo 3792 Buenos Aires 32 8471/78

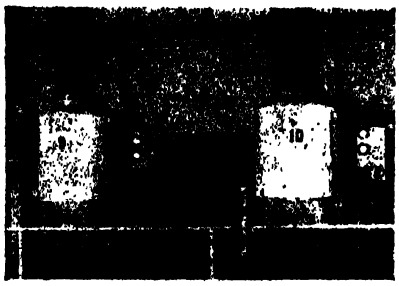
Clayton Modern-Steam Generators cut fuel costs 28%, reduce steam operating costs 54%, decrease boiler room space 90%*

By mechanically controlling circulation and closely coordinating water flow with other phases of steam production, Clayton Modern-Steam Generators provide outstanding cost-saving, space-saving and safety advantages. Ordinary boilers, relying on "natural" circulation, require a large volume of water in excess of the amount that's converted to steam. Not so with Clayton... you pay only for the steam you require. There's no waste of fuel and space for heating and handling "excess" water.

THAT'S WHY CLAYTON boilers are smaller in size and weigh less... why they require less fuel per pound of usable steam... why they're safer, completely free from danger of steam explosion... why they start faster, producing at capacity within three minutes from a cold start. That's why Clayton Modern-Steam Generators have met with such wide international acceptance, as evidenced by the 13,000 installations throughout the world.

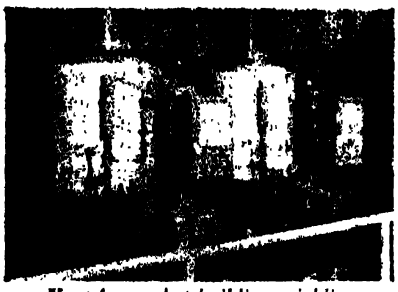
***H. K. PORTER COMPANY, INC.,** replaced ordinary boilers with 12 Clayton Modern-Steam Generators when modernizing its National Electric Division at Ambridge, Pennsylvania. The units are decentralized in four locations throughout the plant (see photos above). All 12 Clayton units occupy only 1,543 sq. ft., compared to 15,376 sq. ft. required by the former boilers. In addition to this 90% saving in space, H. K. Porter has realized savings of 28% in fuel costs and 54% in operating costs since installing Clayton Modern-Steam Generators.

Heating and processing steam plant



Pickling tank and space heating

Heat for curing rubber coatings



Heat for rocket building; pickling

UNLIMITED STEAM CAPACITY is provided—from 500 lbs./steam/hour on up—by combining multiple Clayton units in a centralized steam production plant. Or you can decentralize steam production by locating Clayton Modern-Steam Generators at various points of use (as H. K. Porter has done*), without costly floor reinforcement or long transmission lines. Either way, your Clayton installation is customized to meet your specific needs.

776

SEND TODAY FOR "Steam the Modern Way," a comprehensive handbook that talks the plant manager's language in showing how to save money, space and time with Clayton Modern-Steam Generators. Included are specifications on the wide range of Clayton models—from 16.5 hp to 175 hp. Write today.

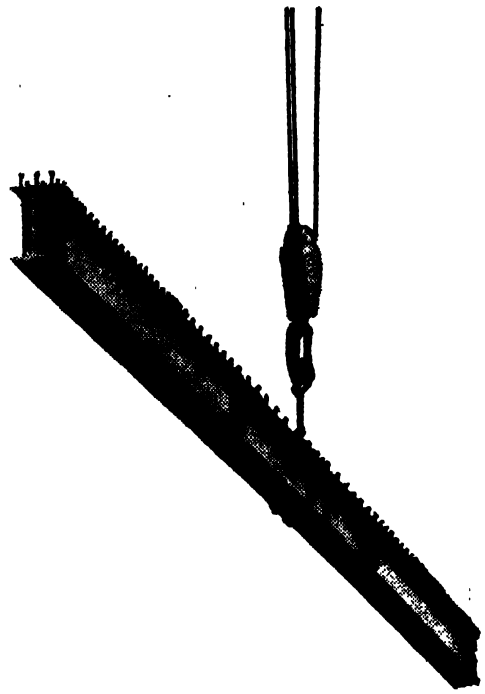
Clayton MANUFACTURING COMPANY

Sales and Service in 88 Countries

Steam Generators | Steam Cleaners | Steam Cleaning Chemicals | Engine and Chassis Dynamometers | Brake Analyzers

CLAYTON INTERNATIONAL | CLAYTON OF BELGIUM S.A. | THE ENGLISH ELECTRIC CO. LTD.

CHANGING THE PACE OF THE NATION



Dorman Long supplied 1,300 tons of steel for nine bridges varying from 46 ft. to 100 ft. spans on the Darlington By-Pass, one of the many new super-roads which are changing the pace of Britain today.

Fabrication was programmed ahead of site requirements to ensure immediate execution of any construction demands at site, resulting in prompt deliveries and erection in record time.

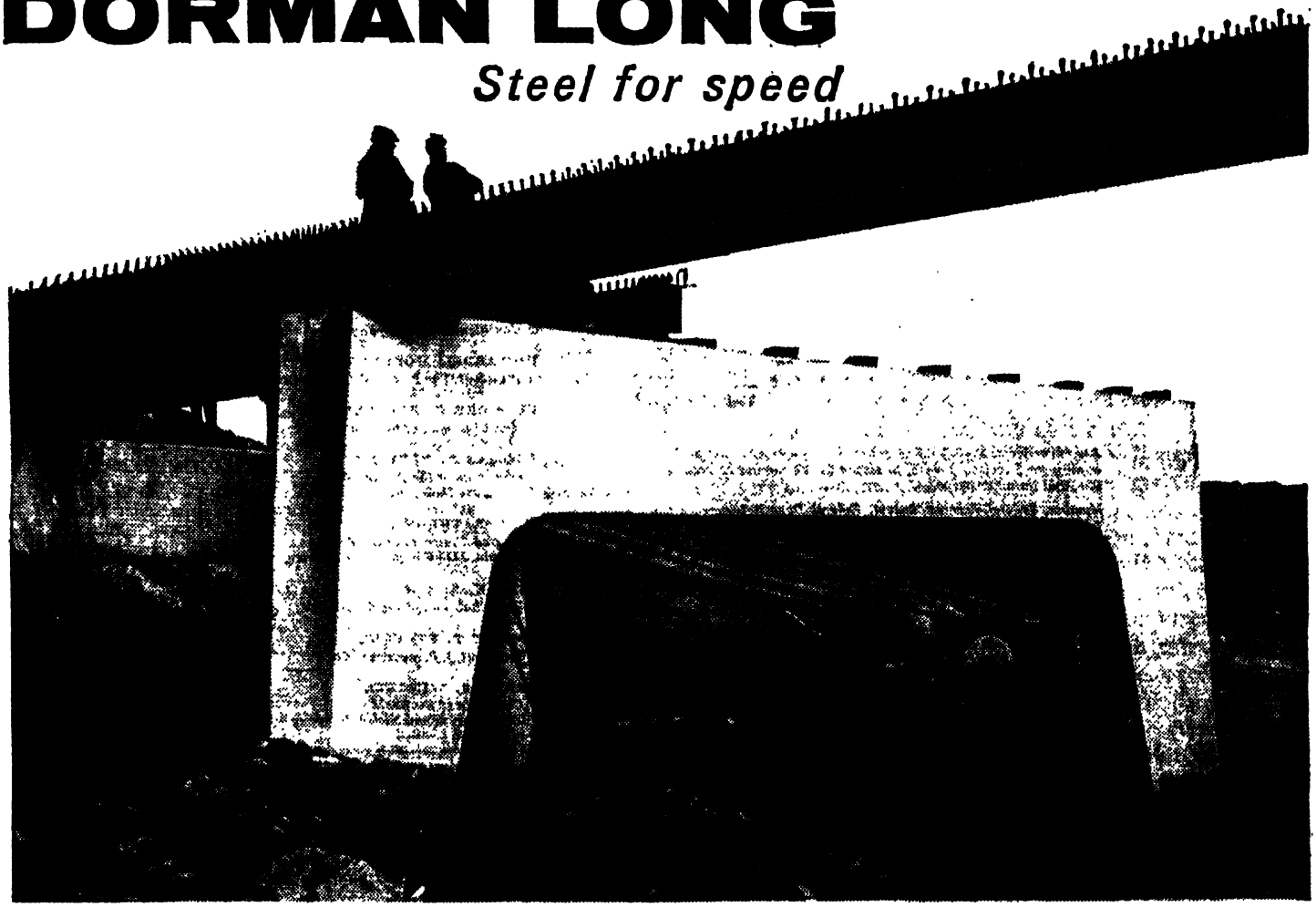
Pre-fabrication away from site, under strict supervision and control, guarantees quality and reduces construction time.

This is the great feature of steel — it's safe and it's fast.

Design & Supervision: Durham County Council; County Engineer W. H. B. Cotton, M.I.C.E., M.Inst.Mun.E., acting as agent for Ministry of Transport. General Contractor: Dowsett Engineering Construction Ltd. Bridgework Subcontractors: Brims & Co., Ltd., Newcastle-upon-Tyne. Steel Subcontractors: Dorman Long (Bridge & Engineering) Ltd., Middlesbrough.

DORMAN LONG

Steel for speed



Morgan Guaranty Trust Company

OF NEW YORK

Consolidated Statement of Condition

June 30, 1965

Assets

Cash and due from banks		$1,493,730,561
U. S. government obligations		309,418,355
Obligations of states and political subdivisions		603,702,777
Other securities		46,747,303
Loans, less reserve of $38,663,483		3,705,798,435
Customers' acceptance liability		131,085,303
Stock of Federal Reserve Bank		13,937,550
Investment in subsidiaries not consolidated		5,776,363
Bank premises and equipment		77,618,616
Other assets		245,833,789
		$6,633,619,052

Liabilities

Demand deposits		$3,290,614,197
Time deposits		1,443,344,339
Foreign branch deposits		523,112,433
Total deposits		5,257,070,969
Funds borrowed		311,611,792
Accrued taxes and expenses		44,958,709
Liability on acceptances		132,427,038
Dividend payable July 15, 1965		9,123,400
Mortgage payable		19,796,206
Other liabilities		216,516,275
Capital — 9,123,400 shares – $25 par	$228,085,000	
Surplus	236,500,000	
Undivided profits	177,559,663	
Total capital funds		642,144,663
		$6,633,649,052

Assets carried at $796,354,883 in the above statement were pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member, Federal Reserve System, Federal Deposit Insurance Corp. Incorporated with limited liability in the State of New York, U.S.A.

New York:	*23 Wall Street*
London:	*33 Lombard Street, E.C. 3* *31 Berkeley Square, W. 1*
Paris:	*14, Place Vendôme*
Brussels:	*27, Avenue des Arts*
Antwerp:	*82, Frankrijklei*
Frankfurt:	*Bockenheimer Landstraße*
Representative Offices:	*Rome, Tokyo, Beirut*

Directors

THOMAS S. GATES
Chairman of the Board

JOHN M. MEYER, JR.
President

HENRY C. ALEXANDER
Chairman, Executive Committee

J. PAUL AUSTIN
President, The Coca-Cola Company

STEPHEN D. BECHTEL
Chairman of the Board
Bechtel Corporation

WILLIAM C. BOLENIUS
Retired Vice Chairman of the Board
American Telephone and Telegraph Company

R. MANNING BROWN, JR.
Executive Vice President
New York Life Insurance Company

CARTER L. BURGESS
Chairman of the Board
American Machine & Foundry Company

PAUL C. CABOT
Chairman of the Board
State Street Investment Corporation

JOHN T. DORRANCE, JR.
Chairman of the Board
Campbell Soup Company

CARL J. GILBERT
Chairman of the Board, The Gillette Company

CRAWFORD H. GREENEWALT
Chairman of the Board
E. I. du Pont de Nemours & Company

LONGSTREET HINTON
Chairman, Committee on Trust Matters

DONALD P. KIRCHER
President, The Singer Company

THOMAS S. LAMONT

EDMUND F. MARTIN
Chairman, Bethlehem Steel Corporation

L. F. McCOLLUM
Chairman of the Board
Continental Oil Company

HOWARD J. MORGENS
President, The Procter & Gamble Company

ELLMORE C. PATTERSON
Vice Chairman of the Board

THOMAS L. PERKINS
Chairman of the Trustees
The Duke Endowment

M. J. RATHBONE
Retired Chairman of the Board
Standard Oil Company (New Jersey)

DALE E. SHARP
Vice Chairman of the Board

ROBERT T. STEVENS
President, J. P. Stevens & Co., Inc.

HENRY S. WINGATE
Chairman of the Board
The International Nickel Company of Canada, Limited

GEORGE S. YOUNG
Chairman, Executive Committee
The Columbia Gas System, Inc.

The Economist

JULY 17, 1965

That £2,000 Million 215
The Importance of Being Enoch 217
The Anti-Planners 217
Banning Some Bombs? 219

COMMENTARY 220
Vietnam; Mr Stevenson; Mr Cousins; Tories; State Visits; Arms Sales; Greece; Belgium; The Health Service; Conveyancing.

THE WORLD
INTERNATIONAL REPORT
Peacekeepers' Progress 226
Russia's Defence; Sudan; Spain; Italian Health Service; Brazil; Nigeria and Europe; Ex-French Africa—I; Ex-French Africa—II.
AMERICAN SURVEY
More European than the General 237
Rendezvous with a Planet; Relodged in Vietnam; Power of the Vote; Medicare At Last; Best Foot Forward; Policing the Police; Merchants of Death—New Style; Chase National Again?; Baker Packed Up; Shorter Notes.

BRITAIN
Going Too Slow 246
Schools; Housing; Crime and Punishment.

BOOKS
The Making of Theodore White 249
LETTERS 209

BUSINESS BRIEF:
Where Does All the Advertising Go? 254

BUSINESS
Liners on a Collision Course 257
Japan's Soft-skinned Vehicles 259
The Product Mix 260
INTERNATIONAL 261
International Liquidity; Australian Incomes Policy; Algerian Oil; French Farming; French Economy; Indian Payments; Krupp; German Coal.
BRITAIN 267
Overseas Trade; Sterling; Automatic Coalmining; Steel Production; Building; Parking in London; Diesel Engines; Network Analysis; Portable Motors; Can Nuclear Costs Beat Oil?
INVESTMENT 273
Stock Market; Fixed Interest Issues; Wall Street; Japan; Chubb; Profits and Dividends; Renold Chains; Supermarkets.

Stock Prices and Yields 293

Annual Postal Subscription by ordinary mail UK £6; overseas £6 10s.
VOLUME CCXVI - NUMBER 6360

That £2,000 Million

It concentrates a planner's mind wonderfully to be told that he is going to have less and less to spend each year. Mr Denis Healey's planners at the Ministry of Defence are half-way through the grand review of Britain's defence policy that was set in train when the Labour party took office last October. Mr George Brown had then asked for an estimate of defence spending each year between now and 1970 that he could count on as more or less constant in doing his sums for the economy as a whole. This, in itself, implied a major and possibly a foolish assumption: that defence would never in this decade involve any bigger an aggregation of tasks than the country now faces. Defence must always be a matter of a country spending until it hurts to look after itself and its interests—not doling out what it thinks it can comfortably afford. But in Mr Brown's terms, and given everybody's fright at the way the bill had been going up, the good round figure chosen was £2,000 million a year—the going rate last year—with the pregnant rider "at 1964 prices." And so the planners were told to oil their computers and reckon what cuts would be needed to keep spending down to this figure.

Their first conclusions, the *hors d'œuvres* to the real stuff later on, will be announced soon, probably before Parliament packs up next month. These first offerings could (and should for the peace of mind of the men involved) include the Government's plans for a radical overhaul of the reserve forces and the Territorial Army. The meat and vegetables will follow later; given Mr Healey's way of doing things, the odds are that each decision will be announced as it is made instead of being saved for a dramatic revelation of the whole new order.

But just how new will the order be? The closer you stare at that £2,000 million, the less it looks like a precise forecast. It looks much more like an "order of magnitude," a device for prodding the defence establishment into cutting its coat from a bit less cloth to fit a rather simpler pattern. This is because the mathematics of the £2,000-million operation are more complicated than that gleaming row of noughts suggests. The qualification "at 1964 prices" means that the actual requests made to Parliament each year will rise beyond the £2,000-million mark in at least two ways. They will take into account the general rise in prices that shoves up the cost of what the services buy as inexorably as it does the housewife's shopping bill. They will also include whatever it takes to pay servicemen the extra money they will get when pay scales are reviewed in 1966 and again in 1968. So far, then, no real savings at all.

What nobody in the Ministry of Defence will come clean about is the special military inflation involved in replacing simple old weapons with complicated new ones. By 1968 an infantry battalion of the Rhine Army will cost six times as much to equip as it did in 1963. The Navy's new Sea Vixen plane costs seven times as much as the Sea Venom it replaces. Much extra spending of this kind is unavoidable. Will the whole of the rise have to be covered by cutting the budget elsewhere—or only part of it, or none at all? If the answer were none, the £2,000-million ceiling would be a joke. Here, one guesses, is where the desire to hold the budget down really begins to bite. But just how big a bite it means in real savings on defence between now and 1970 is still anybody's guess.

None of this means that Mr Healey is not serious about keeping costs down. He believes economies can be made, and in his nine months of office he has looked

like a minister who gets what he believes in. But it does mean that this taut-looking figure of £2,000 million really has a lot of elasticity built into it. And when you look around for places to make cuts, you see why elasticity is necessary. There are just not very many cuts to be made, at any rate big ones, at any rate soon.

WITH luck, maybe half of the net savings Mr Healey wants to make—whatever the figure finally turns out to be—can be made without affecting Britain's existing network of military commitments. For half a century those who have run the armies of the western world have had to gaze glumly at the contrast between the small number of "teeth" men who do the actual fighting and the long plump tail of those who supply them, pay them and transmit their orders to them. Every government has a go at docking the tail; Mr Healey is about to have another one. Good luck to him. The eyebrow-raising fact is that, for all the talk of what can be done by cutting the army in Germany or the forces east of Suez, these two theatres together take only 12 out of every 40 Britons in uniform. The forces sitting in Britain take 24, and have a pitifully small set of teeth to show for it. Mr Healey has the use of the cost-comparison techniques pioneered by America's Mr McNamara. But even if he takes half his desired cuts out of sheer excess fat, where is the other half coming from?

Nuclear weapons? But there is just not much loose cash here since Mr Healey cancelled the fifth planned Polaris submarine soon after he took office. Most of the contracts for the other four have already been placed, and the money cannot be called back even if Labour or the Tories wanted to cancel them, which they do not. Once they are built, the cost of keeping Britain's nuclear forces in operation will not come to more than about a twentieth of the whole defence budget. The navy is certainly agitating now for another big aircraft carrier, and possibly two on operational grounds. If Mr Healey has been taking this at all seriously in a day and age when aircraft development promises to make cumbersome floating landing-strips horribly out of date, he can plainly save a few odd million here.

The army in Germany? The trouble with this one is that cuts in the Rhine Army will not matter much unless they are big ones—five thousand men either way is little help—and unless the men brought home from Germany are promptly demobilised. Otherwise they would need fearfully expensive new barracks. But a big cut in Germany, even if the rest of Nato did not have apoplexy, would make it impossible to use the rump of the Rhine Army as a reserve for other commitments elsewhere, as part of it is used now. This would complicate things far beyond Germany.

There may still be minor trimmings to be made in the army's remoter commitments, say in the Caribbean, where local forces can be raised. But for bigger economies it is the tangle of commitments east of Suez that matter. The only sensible approach is to get rid of the idea that "east of Suez" is a single place with a single military problem. The defence of Malaysia against Indonesia is a duty that will hang round Britain's neck, unloved but accepted, until somebody in Jakarta comes to terms with somebody in Kuala Lumpur. Leave it on one side. But Britain is also doing (or thinking of doing) a number of other military jobs east of Suez, which are quite a different kettle of assorted fish.

Britain's main concern in the Indian Ocean is to help with the containment of China. But the British forces deployed at the western end of the area, around Aden, are much larger than they need be for this, because their chief function is the quite different one of preventing political upheavals in the oil-producing areas of the Persian Gulf. Britain by itself cannot afford this attempt to stand guard in two different directions much longer. Besides, quite a few people in London think that the political situation in the Middle East is changing in a way that may soon make the effort unnecessary. It is not just that the oil-producing countries, whatever their political regimes, will go on being tied to the west European market. The years since 1956 have seen a relative decline in the position of Egypt and a rise in that of Saudi Arabia. The oil-producing states themselves, particularly Kuwait, are beginning to establish an independent place in the world. The result may be an emerging inter-Arab balance of power, involving Iraq too, that hastens the day when Britain can disentangle itself from Aden and Aden's necklace of surrounding baselets. If necessary, Aden's minor function as a staging post for operations outside the Arab world could be performed by an Indian Ocean island.

The same process can be applied to the main task east of Suez, the containment of China—in which the inflated garrison of Hongkong plays no part whatsoever. A direct clash with China is outside Britain's league. The only part the British can usefully play is to be ready to help friendly governments that need help. And even in this there is a strong case for distinguishing between operations that require highly sophisticated forces equipped with complicated modern arms and those that do not. To be sure, this is a delicate business. If Britain were to announce to the world that it could henceforth mount nothing bigger than a one-battalion operation east of Suez, the other side would simply cock a snook with two battalions. What is needed is an unproclaimed understanding with the Americans and the now committed Australians about the type and size of operations Britain can be expected to perform, and where. If the Australians have their F-111 planes in the area, does Britain need to buy some too? Only when this understanding has been reached can Mr Healey know how many men and what sort of equipment he needs.

What does this add up to? The odds are that Mr Healey can make some smallish cuts soon, and maybe some bigger ones later. By 1970 the defence budget will be smaller than it would have been if he had not applied the screw, but still quite a lot above that nice round figure Mr Wilson twirls aloft. It sounds an anticlimax. But dramatic changes were never a possibility. Britain's defence policy in 1965 is even more an interim affair than defence policies usually are. Some problems involving men in arms—the Persian Gulf and one day, with luck, Indonesia—may be on the wane; but eastward, look, new ones are heaving redly over the horizon.

Appointments, Business and Personal notices, and other Classified Advertisements: pages 286, 287, 288, and 289

The Importance of Being Enoch

The rise of Mr Enoch Powell in Conservative favour could be the most significant feature of the party's rethinking

IN the past few months a new word has found its way into British politics: Powellism. The message* which Mr Enoch Powell has been carrying through the Tory Party is basically simple.

It says a nation gains fulfilment not from "illusions" abroad but from the efficiency of its economy. An efficient economy can be produced only by the free working of the market system. The Conservative party, as the party of free enterprise, has been too ready to throw its principles and beliefs overboard. If a government wants to cure inflation, it should cut its own spending and not try to disrupt the laws of supply and demand with some artificial incomes policy. The trouble has been not too much "Tory freedom," but too little.

To a party looking for a new dynamism, this is attractive stuff. For some time now, anyone facing a Tory meeting has found that a friendly reference to Mr Powell touches off a cheer. Even in the more blasé atmosphere of the House of Commons, Tory MPs are listening to him with new respect. Nor is Mr Powell too far from the mainstream of Tory economic ideas now bound up with the word "competition." Not many Tory leaders interpret it as ruthlessly as Mr Powell, and most of them feel he tends to push the logic of the market economy ludicrously far. But if he has achieved nothing else he has made the Tory party think.

Mr Powell represents an attitude of mind, as much as a programme of policy. After 13 years of the compromises of office, Tories find his logic refreshing. He casts his clear eye not only on Britain's domestic problems, but also on its position abroad. Among the reprinted speeches there is an analysis of "the myth of the British Empire"—"under the spell of which," Mr Powell declares, "we have misinterpreted our past, and therefore misinterpret our present."

Ironically, it was "the Imperial myth" that first brought Mr Powell into politics. Before the war he was content with the academic life. Born and brought up around Birmingham, he won a scholarship to Cambridge, wrote poetry, became a don, and went out to Australia as a professor of Greek. But during the war (he rose to the rank of brigadier), he spent three years in India, and he got back to England in 1946 carrying in his knapsack a passionate concern about British policy towards India. He joined the Tory Research Department, and once he had sweated India out of his system, began to nose into other fields. In 1950 he got into the Commons, and in the next 15 years he was in turn a rebel against the original Suez evacuation, a junior Minister at the Treasury, a rebel against government spending, back in the Government as Minister of Health, and a rebel against the choice of Home as leader.

The hard, bony jaw, tight lips, chilling eyes all seem to the public to spell a cold man. The dark jacket and striped trousers might hide a hairshirt; the rasping voice might have summoned the Roundheads at Naseby. In fact, Mr Powell has a perfectly serviceable sense of humour, he is a happy family man, and if he does not suffer fools gladly he is scrupulously fair, not least to opponents. Again, the public has a picture of a man absurdly inflexible, ready to resign at the drop of a hat. But he swallowed his obvious distaste over the Profumo affair, and sat on in a government while first Mr Selwyn Lloyd, and then Mr Maudling, were pursuing an incomes policy with which he could not have had much sympathy. Presumably he felt that the errors of his own colleagues were less dangerous than those of Mr Wilson. Nor is he any less ambitious than other politicians of his stature.

What is distinctive about Enoch Powell, however, is not only his passion for logic, but a certain knobbly integrity in accepting where that logic leads him, however uncomfortable the results. It is the character of the man, as much as the intellect, which accounts for his current influence in his party. If the Tories get badly clobbered at the next election, it is just possible (if only just) to see them turning to him as their deliverer. They have certainly not accepted him as that yet. But they are listening hard—and, as the next article shows, his disciples' voices are also being raised in the land.

*Published this week in a collection of its originator's speeches and writings: A Nation Not Afraid. Edited by John Wood. Batsford. 168 pages. 30s.

The Anti-Planners

Mr Brown will not get away with his National Plan as easily as Sir Robert Shone did with Neddy's. The wind has turned round

WHETHER or not Powellism is becoming fashionable as a political doctrine inside the Tory party, it certainly isn't yet fashionable outside. But Mr Powell can draw upon a gathering body of dissent among economists as a source of kindred ideas; and this, which began as a "radical reaction" against fashion in economic doctrines, may now be in danger of becoming fashionable itself. Moreover, both these doctrines could be attuned to, and draw upon, a feeling becoming more widely diffused in British society today. This is neither economic nor—yet—political; but ignored at politicians' peril.

This body of dissenters has lately collided, and will go on colliding this autumn, with one of the economic fashions that it considers a particularly phoney current panacea: Britain's chosen version of long-term economic planning. The Insti-

tute of Economic Affairs, which can reasonably claim to be the nucleus of, or to have opened an umbrella for, this dissent, dislikes the label "anti-planners." (It dislikes all labelling of opinion: it chose the phrase "Radical Reaction" some time ago to emphasise how meaningless all these words can become.) Mr John Brunner, who has led the latest assault with his IEA paper *The National Plan**, doesn't mind the label at all. Mr Powell—so long as he remains out of office—may find it convenient to brandish it as a banner. And since the dragon or windmill they are girding against has Mr George Brown inside it, this intellectual collision is certain to go on generating sound and fury—particularly when he comes to produce his belated National Plan in September.

Not all the economists whose opinions have been published by the IEA during the last eight years, at any rate, could be labelled as anti-planners. But though the face the IEA has presented to economic fashion since it began has been largely one of dissent, what has brought these economists under its imprint at different times has been a positive enough element of overlap in their widely diverse opinions. This is a belief that the market, left free or if necessary made freer, would generally work better than any of the alternatives proposed to it or than under the constraints fastened upon it by political or other sectional interests; and that what the British economy most urgently needs is to have more competition and make the market mechanism work more effectively, particularly in areas of the economy, like transport, welfare and the professions, from which it is at present shut out by decision or default.

The liberalism of IEA authors, and their technical approaches, vary a good deal; from the almost undiluted 19th-century Manchester milk of Professor John Jewkes to, say, the econometric pragmatism of Mr M. J. Farrell, who has views about inflation that might possibly shock, for example, Professor Frank Paish. To this general belief in free market forces Mr Ralph Harris, one of the institute's founders, would perhaps add a certain rumbustious attachment to iconoclasm for its own sake ("If I find one of my prejudices is getting generally accepted, I need to have a look at it again"); and Mr Arthur Seldon, another, confesses to preferring the democracy of the market to that of politicians ("I trust the daily votes over the counter more than the 5-yearly votes in the ballot-box"). The third founder is not an economist but a businessman, Mr Antony Fisher, who put up the money for IEA to start in 1957. Rather suitably, Mr Fisher had made a fortune in the broiler business, one of the growth industries of the fifties of which any national plan made early in the decade could simply never have forecast the existence, let alone the growth.

MR JOHN BRUNNER is perhaps an all-round sceptic more even than a liberal economist ("The case for competition is certainly arguable. What seems indefensible is to pursue contradictory policies designed to promote more and less competition simultaneously"). An economist who has worked in Political and Economic Planning, the BBC, the Economic Section of the Treasury, and is currently assistant manager of *The Observer*, Mr Brunner has a distrust of forecasting and attempts to plan forward, and moreover a scepticism about the value even of the exchange of fuller economic information, that can on occasion raise even IEA's eyebrows. His Eaton Paper on *The National Plan* was a corrosive examination of the ponderous portmanteau questionnaire that the Department of Economic Affairs sent out to businessmen to help it prepare its plan; this laid itself wide open with wholly or partly contradictory questions, as well as inviting businessmen to forecast on assumptions that were not really meaningful in their individual circumstances, and Mr Brunner lost no opportunity of pointing this out.

Mr Brunner has in his Treasury past an experience of how national targets have been worked out—and of how with few exceptions they turned out wrong. In his *Observer* present he has learned deep distrust of received market research techniques (for one thing, they suggest that the *Sunday Telegraph* has a wider readership than *The Observer*, although *The Observer* sells 170,000 copies more a week). So the idea of the National Plan as a huge exercise in market research, which is how the DEA describes it when feeling intellectual rather than decisive, does not much appeal to him either.

Grudgingly, in his original comments, Mr Brunner admitted: "No great harm can come of inviting firms to state their intentions. Indeed, the stimulus may provide quite a valuable therapy to those firms who are not accustomed to think ahead." His distrust centred upon the efforts made within the DEA (as earlier within Neddy) to reconcile these ranges of forecasts, and to fit them into some formally self-consistent paper model of the economy produced by the central planners:

> The desire to avoid the so-called waste of resources implied by the emergence of surplus capacity is understandable, but there are serious dangers in over-indulging it. It can quickly degenerate into a conspiracy against the consumer, into legalised market sharing. For this reason alone the enthusiasm for the Plan of the representatives of British industry needs to be treated with some misgiving.

Mr Arthur Shenfield, economic adviser to the Federation of British Industries, which set off Britain's latest bout of planning in 1961, would probably agree. Few other people in British industry have come out boldly as anti-planners, though recently Sir Paul Chambers has climbed on to this new bandwagon.

Although his pamphlet was one of a series concerned with the need for fuller economic information in Britain, Mr Brunner has reservations about that too. ("Say we could all forecast perfectly. Would that be a stabilising factor in the economy or a de-stabilising one? Say we all knew the first fortnight in August was going to be the best weather of the year. When would you go on holiday?") His best friends in IEA, whose ideal of a perfect market economy allocating resources in the best possible way would depend upon complete and instantaneous information everywhere, plus indeed perfect foresight, are uneasy about this. As Mr Harris says: "Presumably even *The Observer* has some vague idea of how it hopes to be doing next year?" (It has just put on 115,000 in circulation: presumably not wholly by accident.)

But even if anti-planning is not a matter of absolute agreement (by definition, could it be?), the planners have not yet managed to pray in aid much dialectic to brush all this off. Sir Robert Shone, who is hampered by the fact that like most planners he is at least half the time a liberal economist

**The National Plan*, Eaton Papers, The Institute of Economic Affairs. 6s.

himself, has mildly pointed out that under the Neddy plan that Mr Brunner scorns, national productivity does look already to have been jacked up significantly (but how about the trade balance ?). Dr Jeremy Bray†, who has the advantage of being hampered by no economic preconceptions (as an economist, he is about as good a mathematician as Mr Powell is a professor of Greek), wants a new "network model" of the economy, with information flowing in constantly from all establishments and fed into some kind of input-output model that can in return tell firms what they cannot learn from the market, and help them use the information to act in their own interests or the nation's. He adds:

> Economists will have a greater problem in adjusting, because they have so much intellectual capital locked up in present methods of analysis.

Economists of the IEA, at any rate, certainly will. SAM (alias the computer growth model of the economy devised by the Department of Economic Affairs at Cambridge) is not helping the discussion along enormously, either. In its latest report this week, it assumed that from 1960 until 1970 the British aircraft industry would probably grow, on two possible assumptions about the economy, by about 50 per cent; and that among the industries likely to grow more during the sixties than during the fifties would be coal. *Magnifique ; mais ce n'est pas le planning*, even *le indicative planning*.

What this adds up to in economic controversy is that Mr Brown is going to have nuts for his birthday in September. In political controversy the reception of the National Plan will be perhaps more significant: will Mr Heath find it convenient to wear Mr Powell's anti-planning trousers, or are some other ideas filtering into what sometimes looks like an economic vacuum in that forceful mind ? Both kinds of discussion are a shade removed from public thinking ; British society, punchdrunk with headlines, is probably not very anti or pro planning, but becoming a little bored. This new upsurge of sceptical opposition makes it the less likely that the planners, in September, will be able to lift people out of that boredom. And the malaise is setting in. "The real measure of a society is whether its citizens want to stay in it," said Mr Brunner darkly this week. "The politicians are all obsessed with immigration figures. Take a look at emigration." To the white Commonwealth, British emigration figures rose by 36 per cent in 1963 ; and in the last twelve months on record, they look to have risen by another quarter.

† *The New Economy*. Fabian Society. 4s.

Postscript

One reasonable question might rise to the lips of readers of this article. We know. All right. The answer: some of *The Economist's* economists, who are as liberal as the next man, believe that an incomes policy, on balance, might help wages rise just a little less in the next year or two than if there wasn't one ; and some of them believe that the virtuous confidence trick of planning, on balance, might help productivity rise just a little more in the next year or two than if there wasn't any. We too can think of sharper and sharper draughts for the economy ; but let us continue to accept the fiction that these remedies are not yet on.

Banning Some Bombs?

Two roads of advance wait to be explored at the Geneva disarmament talks Russia has now agreed to

PRESIDENT JOHNSON announced on Tuesday, with obvious pleasure, that the Russian government had at last agreed to resume the Geneva disarmament talks. It is just ten months since the committee of seventeen (officially, eighteen) nations last met in the Palais des Nations. From February until now the Russians had consistently rejected all the appeals for a resumption made by both western and non-aligned governments. Moscow's attitude remained negative even after 83 members of the United Nations had appealed, on June 15th, for an immediate return to Geneva. This appeal was an end-product of seven weeks' desultory debate in the UN Disarmament Commission, which was convened in April, after years of blameless inactivity, at Russia's special request. The Russians turned out to have no new proposals to offer to the delegates whom they had caused to assemble in New York ; and most observers agreed that their main intention could only be to use the commission's long rambling debate to hide the nakedness of their refusal to get down to more realistic negotiation in Geneva.

In now agreeing to return to Geneva, they are presumably recognising that continued refusal might seriously alienate non-aligned opinion. They may or may not come to Geneva with new and constructive proposals. But their move indicates a readiness to face the angry Chinese reaction that any sign of contact between Moscow and Washington must evoke. Significantly, Albania, China's voice in the UN, was the one member that voted on June 15th against the resolution calling for an urgent resumption of the Geneva talks.

That resolution, sponsored by a large group of non-aligned states, and supported by America and Britain (France joined the Soviet group in abstaining), urged the Geneva conference to give special priority to two objectives: extension of the test ban treaty to cover underground testing, and a treaty or agreement to halt the spread of nuclear arms. The obstacles in the way of achieving these long proclaimed goals are familiar. It is still the American and British view (Mr Wilson restated it on July 6th) that, in spite of the dissenting opinions of such individual experts as Sir John Cockcroft, a ban on underground tests would require at least a modest provision for verification by on-site inspection. It is still the Russians' view that any such verification would be an intolerable form of "espionage." But methods of identifying subterranean "events" by seismology from afar are steadily improving ; and the prospect that the technical difficulty may soon be removed makes it sensible to start the diplomatic preliminaries now.

It is, however, the menace of nuclear proliferation that has been capturing most attention, and, with it, the related

problem of nuclear sharing among the Nato allies. On July 1st the word spread from Washington that the report of the Gilpatric committee, which has been suppressed for six months, included a recommendation to President Johnson to seek a non-proliferation treaty at the expense of all such sharing projects as the multilateral or Atlantic nuclear forces (MLF or ANF). The Russians have consistently argued that a joint nuclear force including Germany would be a barrier to a non-proliferation agreement. In the July issue of *Foreign Affairs*, the director of Mr Johnson's Arms Control and Disarmament Agency pleaded urgently for a non-proliferation agreement, warning that a delay "even of months" might be fatal. He did not explicitly suggest dropping what he called "the MLF/ANF idea"; but he argued that, as proliferation would itself weaken Nato, it was worth trying to halt it even at the cost of some "erosion of alliances." Meanwhile Lord Chalfont and other British disarmament negotiators have been canvassing a draft non-proliferation treaty, based on the "Irish resolution" that the UN Assembly adopted unanimously in 1961.

THE west German government, which faces elections in September, predictably felt that it had to show itself unwilling to abandon the idea of Nato nuclear sharing. On July 9th Mr Dean Rusk reassured the German ambassador in Washington that no decision of this kind had been taken. Two days earlier, however, France had firmly turned a cold shoulder to Mr McNamara's proposal for a new committee of four or five powers through which the Germans would get more of a say in Nato nuclear planning. The German foreign minister, Herr Schröder, accordingly felt it necessary to say, in an interview published last weekend, that Germany could accept a non-proliferation treaty only if Nato created a nuclear "construction" that met its non-nuclear members' security requirements, and if Russia agreed to permit an advance in the direction of German reunification. For their part, the Americans, having thrashed the matter out inside the Administration, now seem to have revived their old argument that a Nato nuclear force is not only compatible with non-proliferation but is a form of it, because it involves collective controls.

All this is a forceful reminder of the difficulties of getting an agreement at Geneva (where two of the five nuclear powers, France and China, are not even represented). But the Germans' warning need not be seen as an absolute block. They have hastened to emphasise that they have no wish to acquire nuclear arms; and it is far from clear at present who would supply them (west Germany is already bound by treaty not to manufacture any). With elections ahead, it may be judged that Herr Schröder could hardly have said less than he did. That may even be the Russians' judgment. They have refrained, so far, from launching anything more than a routine counterblast to his statement. Things may look different after the German voting on September 19th. Meanwhile there is everything to be said for opening up Geneva for business again.

COMMENTARY

VIETNAM

The Longest Journey

MR HAROLD DAVIES'S return from North Vietnam on Wednesday brings with it no opening for negotiation. Although he presented his case as stoutly as he could, he was allowed to see only junior officials. He was pointedly not received by President Ho Chi Minh, who gave both lunch and dinner to Mrs Verdun Perl, a British member of the World Council for Peace, on the day of Mr Davies's arrival. As the Prime Minister suggested to the House of Commons on Thursday afternoon, the passage of time may yet reduce the North Vietnamese leaders' conviction that they are sure of an early victory on the battlefield. At present, however, there is no word of encouragement. Can President Nkrumah do better if he accepts the invitation (rebuffed Britons please note) that Hanoi held out to him on Thursday?

In a speech at Hull on July 10th, Mr Stewart, the Foreign Secretary, sketched an ideal solution to the Vietnam crisis involving a conference, a cease-fire and the "securing of South Vietnam as a neutral country." This is no more than what the United States on various occasions has said it is willing to settle for. But, as Laos has shown, the securing of neutral countries in south-east Asia is no easy business. Neutrality for South Vietnam is probably a polite way of describing the preliminary stage before the communists in the north took full command. It may have to come to that. But a better and still possible solution is the continued division of Vietnam into two with the south continuing to be sustained and aided by its American ally. The Korean war ended much the same way; Korea has been quiet since.

The war in South Vietnam goes on growing. The heavy fighting around Da Nang and in Zone D near Saigon, and the failure of Mr Davies's mission, are signs that Hanoi and the National Liberation Front realise they must try to reach a decision during the monsoon. But, as the landing of 4,000 fresh American troops at Camranh bay on July 12th shows, time is not necessarily on their side. On Tuesday President Johnson spoke of "new and serious decisions." The President may have meant an increase of the call-up, or further escalation in the field. But his words should leave little doubt in anyone's mind of America's determination to go through with its Vietnam task (see also page 238). From Peking too the indications still are that any negotiation will take place over Mr Mao's dead body. For the moment all systems in south-east Asia are set for conflict.

Honour

"OUR national honour is at stake," Mr Johnson said on Tuesday when talking of Vietnam. Many concrete things are at stake in Vietnam. They include the political future of the South Vietnamese themselves; the hope of containing China; maybe the eventual freedom of India. All these are precise aims, capable of being calmly stated

and deliberately pursued. To introduce vague abstract concepts like "national honour" is fuzzy. One of the worst things about war is that, as the casualty lists grow, people on both sides start listening to the pulse in their ears. This makes for bad judgment. War is too serious a business to be conducted in anger. Ernest Hemingway said in "A Farewell to Arms" that for the men who do the actual fighting words like "honour" and "glory" lose their meaning. For as long as possible, it is sensible to try to keep discussion of Vietnam away from emotive generalities, and on the hard political facts of what we are trying to achieve there.

MR STEVENSON

Sadly without Adlai

It is strangely fitting that Adlai Stevenson should have died in London, for he was more widely admired in Britain than at home, even though no American has ever had a more passionate, enlightened and devoted following among his own countrymen—and among the foreign correspondents in the United States. It was their enthusiasm and Mr Stevenson's wit, grace and idealism—and the fact that his opponent, General Eisenhower, was well-known and well-loved in Europe—that gave Europeans such a direct feeling of involvement in the American presidential compaign in 1952. This was the first time that the British had taken a real personal interest in an American election and the interest has grown with every presidential year since then. Mr Stevenson was a civilised statesman—the kind of politician that the British expected to find among themselves but never, until then, in America. He tempered the impact on a somewhat resentful Europe of America's success and strength, epitomising the responsibility and sympathy with which the United States was now approaching the rest of the world.

At home, also, he brought a new dimension into politics by making intellectual distinction and uncompromising conviction acceptable in a presidential candidate. But the devastating decisiveness of his defeats in 1952 and 1956—admittedly by a national hero whom no one could have beaten—showed the pragmatists among his disciples that these qualities, even when accompanied by sincerity, charm and articulateness, were not enough to enable a man to become a President—or, indeed, one suspects, to enable him to succeed as one. The man who learnt the Stevenson lesson was John Kennedy.

Always a reluctant candidate, Adlai Stevenson shone as one nevertheless—and never shone brightly thereafter. Loyally serving President Kennedy and President Johnson as ambassador at the United Nations, where his experience and the respect which he inspired in other countries could be most effective, he belonged to, but was not really a part of, the Administration. But his defences of Washington's more controversial decisions were sometimes all the more telling just because he could not quite conceal his suspicion that they were ill-advised.

MR COUSINS

Redundant Minister

Mr Frank Cousins should now stop being a minister—if he ever started. This big, excitable, worried man should return to the big, slow, worrying trade union that wants him back. He was promoted to the Cabinet, and subsequently carpet-bagged into a seat in Parliament, for one sufficient reason. He was the only man on Labour's left of sufficient stature to run the dissidents. But if he really appeared once to be such a threat to Labour's stability in office, the fears of his colleagues now seem a bit overblown. He has been taught-in, at session after session of the Cabinet, about just how little independence of action is left to Britain in the world. The left which he might have led would now hesitate to follow a leader who has, as part of the Cabinet collective, driven so straight down the party's central and not especially partisan line. Even in his most wayward moments—on defence, on incomes policy, on Vietnam—there has been about him a new and uneasy air of hangdog compromise. Not the rogue elephant he was.

Even were the left to align itself on whatever position he might adopt once out of Cabinet, the great Cousins myth is well on the way to being deflated. Suppose he did shoot his mouth off at September's party conference: right-wing hearts tremble at the thought. But what could Mr Wilson really have to fear from a disgruntled ex-minister whose tenure of office (in such a botched-up ministry) was so brief and so totally without distinction? As Minister of Technology, he was to have made the wheels go round. But they have mashed him up. He was to have run the purchasing of technological hardware by government departments. They insisted on going on buying their own. He was to have taken over from their various independent chiefs the scattered research and development bodies that represent Whitehall's direct involvement in invention and progress. They remain, still, under their independent chiefs. He was to have run the programme of manpower readjustment for the age of automation. The programme remains with the Ministry of Labour, and is being infiltrated by the Ministry of Education, to whom it belonged in the first place.

On Wednesday, poor Mr Cousins had his first real oratorical run in the Commons. He spoke on his department's brief. It was about as stodgy as such a brief can be. Even Mr Marples—never the most brilliant parliamentarian—stood up to Mr Cousins. Perhaps Mr Cousins won some sympathy after the footling attempt by some Tories on Tuesday to impugn the standing of Labour ministers who retain a sympathy for the Campaign for Nuclear Disarmament. But it is no longer a question of sympathy with Mr Cousins personally, or of agreement or disagreement with his views. It is, plainly, that he is the wrong man doing the wrong job. As for sending him somewhere serious, such as the Home Office, heaven forbid.

TORIES

Life with Sir Alec

Those Tories who have been complaining that the speculation about Sir Alec is all got up by the press should now say they are sorry. The size of the latest backbench move to get him out may have been exaggerated, but it was real enough to command the attention of the executive of the 1922 Committee and some members of the executive were even in favour of letting the issue go before the whole committee, which in practice means the whole body of Tory MPs. If the 1922 Committee had debated the leadership, the press would have had a field day: either the doubts of Tory MPs would have been starkly revealed or there would have been a demonstration of loyalty in which nobody believed.

The real point is that this may be the last moment when Sir Alec could retire gracefully. The Tories have made a fair recovery from last October, they have done well on the Finance Bill, Sir Alec himself has reinvigorated the Central Office, and a deal of new thinking on policy is in the pipeline. Sir Alec could now retire with the genuine thanks of his party. Instead, by staying on, he courts a succession of embarrassments. His performance in the Commons, if anything, gets worse. The *Daily Mail* National Opinion Poll on Thursday reported its ghastlier-than-ever findings about his standing relative to Mr Wilson's. He may do well in next week's foreign affairs debate, but he must be the first party leader in history who, in the course of a whole session, has not made a single major Commons speech on domestic policy. Then in October he will have to face the party conference. However well he does on stage (and he is at his best when talking to the faithful), nothing seems likely to prevent seething discussion off-stage.

The loser in all this is Mr Heath. The latest backbench move appears to have been made on his behalf and, although he knew nothing of it and must have winced when he heard, those Tories who regard him as a thrusting, autocratic fellow will no doubt feel confirmed in their suspicions.

STATE VISITS

Roll Up, Roll Up

The paraphernalia of a state visit is done as well in Britain as anywhere. All those splendid troops and trotting horses, those policemen in out-of-date outfits, those banners along the Mall before the green-

and-cream of the Nash terraces—full marks, every time. *The Economist,* because it feels friendly to President Frei of Chile, loyally went along to cheer this week. Its cheers were heard, but for the saddest of reasons: they were among the very few. For most Londoners have no idea of the time or the place when their cheers—which would be gladly offered—are to be graciously received by the Queen and her guests. Could not these gay, and free, entertainments be advertised in the popular press? The police, certainly, do a bit of advertising—but surely their notices show the wrong spirit: "Traffic is not permitted. . . ." Could not the government hospitality fund indulge a more generous style: "It is the will of Her Majesty that her trusty and well-beloved burgesses. . . ." It is a bit of a let-down for the job of welcoming the nation's guests to be left to American tourists and Swedish au-pair girls. And surely everyone will agree that the demand for viewing pretty parades is far from being satisfied.

ARMS SALES

Stoking the Fires

SUPER salesmen should have something super to sell. So Sir Donald Stokes, the tough and enterprising chief of Leyland Motors, will have a hard row to hoe in advising ministers "on the promotion of exports of defence equipment." Sir Donald's three-month assignment is expected to bring about the appointment of a "high-pressure" arms salesman who would do for British arms what the Pentagon's men do for the Americans'.

Sir Donald is, of course, a super salesman of his own company's products, which do not yet include any overtly military weapons. But take a vehicle he does not make: the Land Rover, the farmer's friend. It has also been called the world's finest wog-basher. Is the idea to give special government help to Rover when it tries to sell these vehicles to foreign armies, but not when it tries to sell them to foreign post offices? The same dilemma applies to sales of, say, passenger (or troop) aircraft. And there are other puzzling things. It would be absurd for Sir Donald to waste his time, at the behest of the military, in trying to lumber foreign armies with the monstrous Chieftain tank that many British officers regret they were ever lumbered with. And a straightforward export drive of the sort that he is best at (including sales to Cuba and China) is just not on when it comes to the arms trade.

Perhaps, of course, this opportunity for public service has been given in another spirit. Goodness knows that Labour needs to involve in its projects, and to encourage as far as it can afford, those few top businessmen who are prepared to take it on its merits. But surely it would be more in the Wilson style to creat a Baron Stokes of Non-aligned Exports than a Lord of Clashing Arms?

GREECE

King's Choice

IN Greece the monarchy has an unfortunate tendency to get embroiled in politics and never more so than when the army is involved. To purge or not to purge the army of right-wing elements is at the root of the present clash between King Constantine and the prime minister, Mr Papandreou. The dispute has centred round the minister of defence, Mr Garoufalias, who is opposed to the purge, but has refused to resign, presumably because he is in the king's confidence and assumes he can rely on royal backing. When neither king nor prime minister was prepared to give way completely, the issue was inevitably transformed into a constitutional one about the limits of the royal power.

This should have made the crisis easier to manage, for in principle there is no constitutional dispute between the king and his prime minister. On July 11th Mr Papandreou emerged from a talk with the king (in the friendly aura surrounding the royal birth) saying that there was "complete harmony" between them over "the normal functioning of our regime." This should have meant that the king acknowledged his prime minister's right to choose his own ministers. But the king apparently refused to sign a decree dismissing Mr Garoufalias, with the result that on Tuesday the Centre Union, the government party, tried to force the king's hand by expelling the defence minister from the party because of his refusal to resign.

King Constantine's choice is a hard one. He may sincerely believe that if he falls in with his prime minister's wishes he will be subscribing to a course of action that could dangerously expose the army to subversive left-wing infiltration. But constitutional monarchy is like that. And if the king persists in opposing the government, he will land himself in really bad trouble. Mr Papandreou will himself resign and the king would find it hard (although not constitutionally impossible) to avoid elections in which the clash between king and cabinet would inevitably be a major issue. The damage that that would do the monarchy is much more certain and serious than the possible damage to the army of Mr Papandreou's proposed purge.

BELGIUM

Europe's Congo

SHOULD Belgium be abolished? The effect of its tribal quarrel this summer has been to keep its search for a new government congoing hopelessly on ever since the elections of May 23rd. Meanwhile, the stature of Belgium's spokesmen in the councils of Europe—the prime minister, Mr Theo Lefèvre, and his deputy and foreign minister, Mr Paul-Henri Spaak—is being undermined by their impotence at home.

On Wednesday the Socialist party executive reversed an earlier decision and accepted a deal that had been worked out in meetings with Catholic party leaders under the chairmanship of the king's "negotiator," Mr Pierre Harmel. Mr Harmel will himself preside over a new Catholic-Socialist cabinet—if the Socialist congress approves the deal when it meets on July 25th; there is no guarantee that it will.

Both parties lost heavily to the conservative Party for Liberty and Progress (PLP) in the May elections; their joint total of seats in the chamber of deputies fell to one less than the two-thirds majority needed for changes in the constitution designed to separate the Flemish from the Walloons. Early on in the current round of bickering the PLP said that it would not join any coalition of which the "social terrorists"—the Socialists—were a part; on July 11th it was the executive of the "social terrorists" themselves that turned down a compromise with the Catholics that had been agreed to by the Socialists' own negotiators. The grounds: the compromise programme was too remote from the Socialists' policy. It was this decision that was reversed on Wednesday.

The fundamental argument in all this is tribal. The Walloons of the south have dominated the country since its invention in 1830, but the Flemish of the north have come to outnumber them and thus, in the 1961-65 parliament, to win a majority of parliamentary constituencies. Some Walloon extremists now want to turn the country into a federation (so do some Flemish parties); others would settle for a complicated constitutional change designed to protect the Walloons from language or social legislation that the Flemish might seek to force through. Part of the compromise deal worked out before the elec-

RETAIL BUSINESS

Monthly review of consumer goods marketing and retailing.

Issue 89, July 1965 features:

PRIVATE BRANDING—II

ELECTRIC BLANKETS

HARDWARE STORES

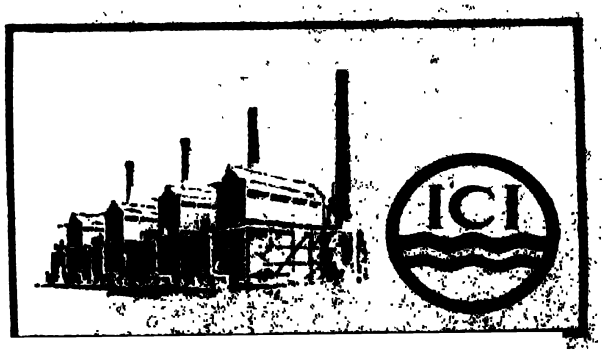
Details and subscription rates from:

THE ECONOMIST INTELLIGENCE UNIT

Spencer House 27 St James's Place London SW1
HYDe Park 6711 ext 27

60 East 42nd Street New York NY 10017
Murray Hill 7-6860

ICI AGRICULTURAL DIVISION PROCESSES MEAN MORE FOOD—A BETTER LIFE—FOR MORE PEOPLE



By 1966 ICI will be the largest single producer of ammonia in the world. This world leadership has been reached after 40 years' experience, during which all aspects of research, development, construction and production have been studied in depth. ICI sells its technical 'know-how' through licensed contractors. Throughout the world 78 plants have been or are being built to operate ICI processes.

For information on ICI Ammonia and Fertilizer Processes write to
THE LICENSING MANAGER
IMPERIAL CHEMICAL INDUSTRIES LIMITED
AGRICULTURAL DIVISION, BILLINGHAM, CO. DURHAM, ENGLAND

"let's see what ASEA can do"

BUILDING POWER FREEWAYS. Extra-high-voltage power transmission makes possible the economic exploitation of remote power sources and the supply of peak load and standby power through the linking of networks, thus obviating the need for investment in new generating plant.

The introduction of the high-voltage direct-current (HVDC) system as an alternative to the conventional AC system has given a new impetus to power transmission. Power engineers have long known that the HVDC system leads to considerably lower line costs, is definitely superior for transmission by cable—underground or submarine—and vastly simplifies the system control of interlinked networks. These advantages could not be utilised, however, until ASEA some ten years ago developed and brought to fruition the conversion equipment and system technology required.

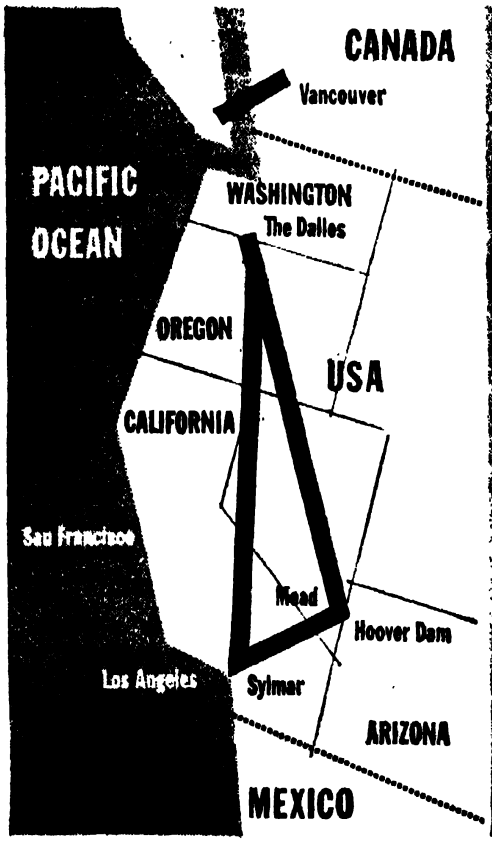
The first HVDC link, commissioned in 1954, transmits 20,000 kW. Today eight major links are in operation or being built, having a total capacity of 3,300,000 kW, a development unparalleled in the history of power engineering. The world's largest power transmission project—the Pacific Intertie in the U.S.A.—will have two HVAC and two HVDC lines, the latter acting as freeways for huge blocks of hydro-electric power, transmitted 800 miles from Columbia River to Los Angeles and other cities.

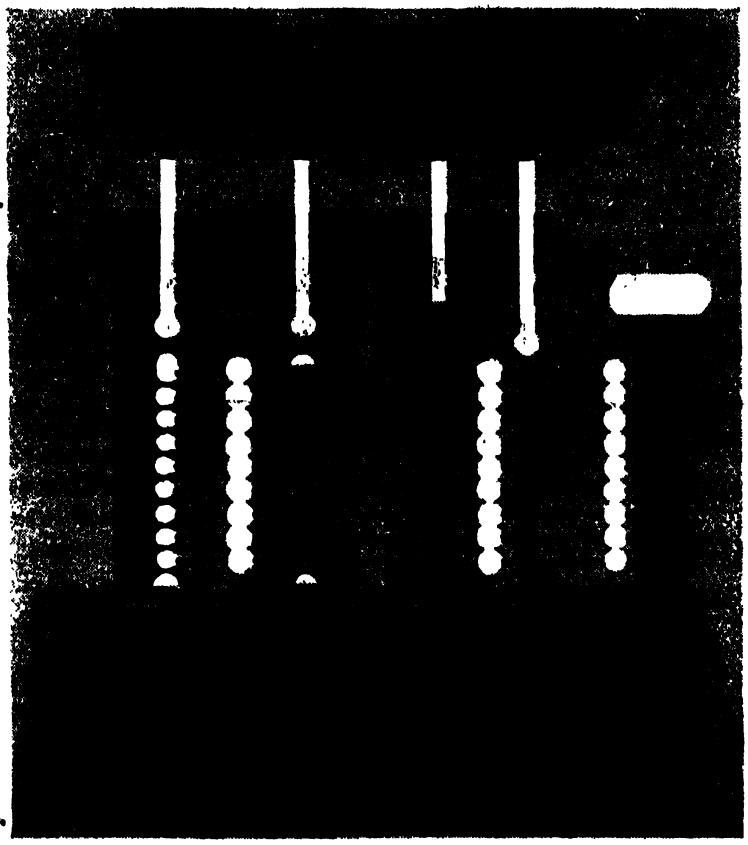
All HVDC equipment built or ordered so far emanates from ASEA or ASEA licensees, i.e., General Electric of the U.S.A. and English Electric of Great Britain.

It is worth while to "see what ASEA can do!"

a creative force in the electrical field **ASEA**

Head Office Västerås, Sweden.
Represented in over 70 countries.





tion and put into law (but needing a constitutional change to eradicate all doubts) was that there should be a language boundary drawn across Belgium. This the PLP has stoutly opposed; its policy is "language freedom"—but there are those among the Flemish who feel that such freedom will mean the gradual extinction of their own culture by the world-endowed strength of French. All the politicians are still in an electioneering mood. The quarrel may not have been settled yet.

THE HEALTH SERVICE

Keeping Patients at Bay

For the second year in succession the tail has wagged the dog at the annual representative meeting of the British Medical Association. Last July the doctors voted in favour of keeping the prescriptions charge and of a motion declaring that the absence of a financial barrier between doctor and patient "should not be interpreted to preclude any form of charge to the patient for the doctor's services." Last week, having tasted blood in the last months, the doctors expressed their views more forthrightly; by a big majority they approved a motion that "payment by the patient of fees for items of service, recoverable from the state, be included in the charter as one method of remuneration."

The profession's negotiators have thus been placed in an intolerable position. The Minister of Health has reaffirmed the Government's refusal to agree to such a charge, so that the question of resignation from the health service, which they had hoped had been at least temporarily disposed of at the special representative meeting last month, will immediately loom up again. But perhaps a secret ballot of all general practitioners on the issue would produce a very different result from votes taken at angry meetings of the politically-minded among them. It is unlikely that many doctors, however irked by patients' unnecessary calls on their time, would want to resign over the question of putting a deterrent charge on them. (Were British doctors to consider the state of the medical profession in Italy—see page 229—they might even feel that the Government does quite well by them.)

Nevertheless, doctors have a right to be angry about a waste of their time and skill. Some of it is undoubtedly wasted in form-filling. Much is being done to reduce the number of national insurance certificates, but many employers insist unnecessarily on certificates of sickness. However, the real problem is to teach patients the difference between taking genuine symptoms to a doctor promptly, which the profession itself and, even more important, the women's magazines are constantly urging them to do, and magnifying or even inventing symptoms that will enable them to sit in their doctor's waiting-room as if it were a launderette. A deterrent charge is too unselective to be the answer.

CONVEYANCING

Cheaper for Whom?

The Law Society has made some sensible proposals for the simplification of house purchase, but has shirked the full sense of its own logic. The main proposal of its special committee is for a "log book" method of transfer for freehold land that is not already listed in the Land Registry. About two-thirds of property dealings are still in unregistered land, involving trickier legal work and a higher solicitor's scale fee than if it was registered. The proposal is that at the time of sale of an unregistered property all the relevant details affecting the title should be recorded in an individual "Title Certificate Book," modelled closely on the Land Registry particulars. This would subsequently become the only necessary record, being kept up to date on transfers, mortgages, etc. It could go further than the registry in recording things like planning permissions and any possible weakness of title would be insured against by the Law Society. Rather timidly, perhaps, it is not proposed to issue certificate books for property worth over £7,000.

Parallel with this the Law Society would like to standardise forms of contract for all land up to the £7,000 limit; and halve the minimum research period of thirty years for an unregistered title. For the sake of speed it sensibly suggests the vendor should be obliged to supply unasked all routine legal particulars of his property. None of these more general economies would apparently be passed on to the public in the form of reduced fees. But once a title book has been created (for a fee of £1 1s. per £1,000) the Law Society does suggest the present scale fees for the conveyance of unregistered property should be reduced by 25 per cent. Since these are already much too large, this is not exactly generous. As no Land Registry fee would be involved a conveyance via title certificate book would come out slightly cheaper than for equivalent registered land, although the solicitor himself would still get a little more.

Nowhere is the principle questioned of relating fees to the cost of property rather than the amount of work. Scale fees, the curse of house buying, are indulged in by everybody besides solicitors, including the Land Registry itself. Nor could the solicitors have been expected to yield any points on their own monopoly of conveyancing, though every simplification of the kind they propose reduces their role in the conveyance itself to the minimum. They lay great stress on the inclusion of other services equally obtainable from other relevant experts—so why not let any expert handle a transfer book? It should not be left to the professions concerned to reform systems in which they have such direct interests. It is high time the government spent money on extending land registration quickly everywhere, at the same time making the record comprehensive and easily accessible to anyone at a low charge. It would then be hard to maintain exclusive systems which only harm the public.

The Economist

JULY 15 1865

OVEREND, GURNEY AND CO. (LIMITED)

¶ Every one who knew Lombard street but a few years ago will well remember many grave old gentlemen who hated Joint Stock Companies and believed them to be, "on the whole, disreputable," but who spoke of "Overend's" with a curious solemnity and almost under their breath. "Overend's" was the best they could think of; a "Company" was the worst they could think of. If they could be revived and told that "Overend's" had become a Company, they would feel at once that the world in which we live is not the world in which they lived. Some vestige of these old ideas still lingers, but among those who are guided in their notions and their conduct rather by present facts than by past facts, the step which Messrs Overend have taken is generally approved of . . . . First. Everybody approves of the change, because now that Overend's is a Limited Company, it will be essential to publish an account of the nature of their business. . . . It will be incumbent on the new Company to publish such an account as will tell the shareholders and the public the principal points of its business,—and the main point of all for a shareholder is this—Is my money lent on trade bills as a bill-broker lends it, or is it lent on contractors' bills as a finance company lends it, or is it lent on produce or warrants? All these ways of lending money are good at proper rates and in their way, only it should be clear which way . . . . Secondly. There is no doubt that the best part of the management of the old concern is secured to the new concern. . . . The name of Mr John Henry Gurney is a guarantee of solid wealth, and that of the other continuing partners for sound and careful management, when they are left to themselves, and can act without disturbance as they like. Therefore we entirely approve of the step which this great firm have taken, and sincerely hope it will be the means of handing down to posterity the historical name of "Overend." It is not without value to have hereditary names in the money market as well as in politics. They are stimulants to industry and incentives to preservative caution.

THE WORLD INTERNATIONAL REPORT

Peacekeepers' lot: Canadians in Cyprus

Indians in the Congo

Peacekeepers' Progress

A POLICEMAN'S lot is no more happy on the international plane than on the civic one. By definition, a United Nations peacekeeping force must always face what Americans call a "no-win" situation. If it is effective, it may, at best, sink into oblivion as a "forgotten army"—which is what has happened to the force on the Gaza-Sinai border, after eight uneventful years that could have been alarmingly eventful if it had not been there. Or it may, just because it is effective, be denounced as a sinister "international gendarmerie" by interested parties on one side or the other; indeed, quite often, on both flanks, as happened in the Congo. The less effective it is, of course, the more derision it attracts; its critics do not see that the many impediments placed in its way show that its activity rests on so limited a consensus that it is a wonder that the force was ever created. And the UN need not hope to escape this scorn by failing to produce a force at all. Those who complain most shrilly about its actions are often the quickest to deride it for inability to act—for example, in Vietnam.

Today the whole future of these peacekeeping operations seems in the balance. In February, when the luckless nineteenth General Assembly eased itself off the hook on which it had hung for three months, it handed over the whole controversy about the financing and control of these operations to a committee of 33 members. The committee was asked to report back by June 15th, but nobody seriously expected results by that date. In fact, after a series of meetings and a great deal of consultation between its members, it adjourned on June 15th with little more than an understanding that it would meet again late in August. Whatever may be agreed by September about financial arrears (and the air is full of confident predictions that the arrears problem will be tidied away in time to permit the Assembly to enjoy a normal autumn session), it seems wildly unlikely that a basic formula for future peacekeeping operations can be shaped by then, or indeed by any foreseeable date.

But ten thousand soldiers remain under arms in UN service, in Cyprus and the Gaza area. The life of the Cyprus force has been extended for another six months; and the Gaza force, Unef, seems to have a charmed life—even the French government, while castigating its origins as illegal *en principe*, scrupulously helps pay for its upkeep. Paradoxically, the Cyprus force, although created and repeatedly continued by Security Council resolutions in the strictly "orthodox" style advocated by the French and the Russians, gets no money from them, or from most member states. It survives, as an inspired misprint once put it, "from hand to month," on irregular and inadequate donations. Although there are several optimistic ideas in circulation about a more rational formula for future financing, the present signs indicate that any new peacekeeping operations may have to be paid for on a Cyprus-type basis. This prospect is nightmarish to those secretariat officials who have contended with the Cyprus force's uncertain underpinnings.

Most forgotten of all the peacekeepers are the observer groups, several hundred strong in all, who for sixteen years have watched over the Kashmir cease-fire line and Israel's eastern and northern borders. But oblivion does not imply inaction. At the end of June General Nimmo's Kashmir observers resolved one of their gravest problems since 1949, securing by a combination of discreet pressure and reassurance the withdrawal of an Indian brigade

which had advanced across the line in the Kargil area five weeks earlier. The episode shows that there is often less distinction than appears between observer groups and international forces. The problem that an Australian general has just tackled in Kashmir scarcely differs from some that have confronted an Indian general in Cyprus.

Some of the Cyprus peacekeepers readily concede that their circumstances have been easier, in several respects, than those of their counterparts in such forbidding areas as the Congo, Yemen and Kashmir. The UN force in Cyprus took over its responsibilities gradually from a British force which, although now mostly phased out, has left a large British contingent in the present multi-national array. Its supply problems have been eased by the local availability of large British military stores. Its intelligence problems (UN forces are supposed somehow to do their job without being allowed to have intelligence services) have doubtless been similarly eased. None of its contingents are desperately far from home, except the Canadians, who have developed an impressive air transport service of their own. Its mandate is sadly vague, but today that is part of the peacekeeper's way of life—except in the case of Unef, which by now has settled into its comparatively simple routines almost too snugly, and whose contingents might feel a real jolt if they were suddenly switched to less defined duties in a more chaotic area.

It is sometimes argued that, rather than use soldiers on what is a form of policing, it would make sense to use police. There are limits to this logic. In the Congo, African police trained in crowd control did prove of particular value in certain situations. In Cyprus, the usefulness of the civilian police units that make up a small part of the mixed force has been limited by the fact that they have no power of arrest, and by stipulations about their terms of service that make it impossible to call them out, like soldiers, to virtually any duty at virtually any time. In any case, while it is difficult enough to obtain troops for international peacekeeping, it would not today be possible to obtain civilian police in anything like adequate numbers.

Ideally, perhaps, an international force should be provided by authoritarian states, whose governments would not be continually fussed by critics, back home, asking loaded questions about why "our boys" should be sent to sort out obscure quarrels in far-away lands. The troops should be happily adjusted to low pay, to a certain risk of actually getting killed, and to a high degree of inevitable confusion. At the same time, they should be first-class linguists, and so well informed as to understand all the intricacies of whatever local disputes they encountered. They should operate only in areas where communications are good and where a former imperial power's supply dumps are readily available. They should be instinctively neutral about all conceivable issues, and able to lighten or darken their pigmentation at will.

But meanwhile it is only a few paleskin democracies that are "earmarking" units for future UN service; and some of their soldiers are a whiff stiff in their ideas of proper military procedures, some are extremely expensive, some are a bit startled when peacekeeping turns out to involve live ammunition. One must not be ungrateful. If there is to be a future for UN peacekeeping, it looks as if it will have to scrape along for quite some time on the basis of what few voluntary offers are available. Most governments—including all twenty-one Commonwealth members—are always willing to sign communiqués urging that the UN's peacekeeping capacity should be greatly increased; not so many, just now, are eager to chip in generously with men, money, or whatever else it takes. The United Nations is not in fact totally paralysed and powerless, whatever Professor Morgenthau, Dr Sukarno and other pundits may think. Its peacekeepers are still at work, and in more places than most people realise. But they are now, more obviously than ever, doing a high-wire act on a shoestring.

RUSSIA'S DEFENCE

Rockets or refrigerators?

In a speech at Volgograd on July 11th, Mr Kosygin referred to the large resources that were required to maintain modern armed forces and "which we would readily shift to other branches of the economy. But in present circumstances to save on defence would mean to act against the interests of the Soviet state."

Rockets versus refrigerators, missiles versus cars; whatever its modern guise, statesmen still face the choice between guns and butter. Although in absolute terms the Soviet Union spends less on arms than the United States, defence absorbs a bigger share of a smaller national product. Thus the Russians have a heavier burden to bear. The problem of how to distribute its weight is now more urgent than ever because Mr Khrushchev's successors are preparing their five-year plan for the years 1966 to 1970. In his Volgograd speech, Mr Kosygin revealed that the government and the party's central committee had "recently" taken steps "further to modernise" the arms industry. This decision will certainly not have been reached without some lively arguments.

The struggle in the Soviet leadership that led to Mr Khrushchev's fall last October is far from finished. All the chief contenders are still there, most of them in exactly the same position. There is no reason why they should suddenly begin to see eye to eye on subjects ranging from the pace of reform at home to the posture that Russia should adopt towards the United States. Defence policy would obviously bring on a confrontation between the differing views on both home and foreign policies. And the timing of the confrontation was the worst possible one from the point of view of the Russian advocates of defence cuts to benefit the consumer. Matters might have been different two years ago, at the time of the test ban treaty. Today, in the atmosphere created by the Vietnam war, the defeat of those who want to concentrate on internal problems was a foregone conclusion; they may possibly have decided not even to contest the issue.

The Russians may have simply decided to postpone making any cuts in military spending; they are more likely to have decided to spend more. Mr Khrushchev did this in a spectacular way at the time of the Berlin crisis in July, 1961. Having promised fresh cuts six months earlier, he suddenly announced during the crisis that the defence bill would be increased by one third; thus interrupting the continuous reduction of military spending that began after Stalin's death.

If the Russians do now choose to spend more on arms, the question is whether it will be on conventional or on nuclear arms. The

tentative answer is both, though with emphasis on the strategic nuclear force. Whenever there is disunity in the Kremlin the armed forces seize the chance to raise their bids in both respects. There are now signs that in order to keep the military happy, Mr Brezhnev has promised them more up-to-date conventional weapons.

The development of Russia's conventional land forces is something of a puzzle. They are probably not needed for "wars of liberation." In a conflict like the Vietnamese war, manpower is the last thing to be missed. In Europe it might be different. On the other hand, the Russians have always denounced the American doctrine of graduated deterrence and poured scorn on the chessmanship of escalation as practised in the Pentagon. The renewed interest in up-to-date conventional forces may mean that, without being converted to the "McNamara doctrine," some Russian leaders now contemplate the possibility of a European conflict that would not automatically develop into nuclear war.

But the main emphasis remains on Russia's nuclear strategic force. In the same speech, on July 3rd, that promised the army more modern conventional weapons, Mr Brezhnev also laid stress on Russia's nuclear armoury. The Russians reject western reports of America's strategic superiority. Indeed, Mr Brezhnev dismissed western assessments of the number of Russian rockets as "no credit . . . to the intelligence services of the imperialist states." He himself, without giving any figures, praised the quality of the Soviet missiles and the various ways of launching them that ensured the invulnerability of the strategic force. He also dwelt on the important progress recently made in anti-missile defence.

Yet, for all these claims, the Russian leaders must be worried by a criticism that is much heard throughout the communist world —and not only in China's Asian sphere. This criticism, which claims support from events in Vietnam, is that ever since the Caribbean crisis of 1962 there has been a glaring difference between the positive way in which the Americans have acted under the nuclear stalemate, and the relatively passive reaction from Russia.

Thus a further vital question concerns the influence of the Vietnamese war on the shaping of Soviet policy. The answer may depend on the duration of the war. Although their speeches may be belligerent, Mr Brezhnev and Mr Kosygin still insist on their wish for peaceful coexistence with the Americans. (A new sign of this is their agreement to resume the Geneva disarmament talks, discussed on page 219.) The present shift to a more aggressive posture could probably still be changed. The Soviet leaders may even manage to get through the next session of the central committee, which is to be devoted to industrial management, without definitely committing themselves on how much they mean to spend on arms. But the five-year plan, and the party congress which should be summoned to endorse it, will make it difficult to go on hedging. And this may be one reason why the draft of the plan has not yet been published nor the date of the congress announced.

SUDAN

Black war

SUDAN'S government admitted on Tuesday that 72 "outlaws" were shot dead at Wau earlier this month; on Wednesday it admitted another 50 dead at Juba. These admissions follow a claim made by the Nairobi representative of the Sudan African National Union (Sanu) on Monday that more than 700 civilians had been killed by government forces operating in the south of the country in the previous two weeks. The government statement on Wau says that the "outlaws" were well-armed and shot first. The southern provinces of the Sudan are so remote, and so cut off to outside visitors, that precise knowledge of what is happening in the area is not to be had. What is clear is that the southern rebellion is still on, in spite of hopes expressed since General Abboud was deposed in November that Sudan's two halves might now at last come together.

The African parties of southern Sudan have long claimed that Khartoum's policy is to "arabise" the country; their aim has been to carve a new independent African state out of the underdeveloped tropical backwater in which they live. But the south is also divided against itself: the two Sanu ministers in the Khartoum cabinet resigned on July 1st in protest at the appointment of a member of another party to the post of minister of animal resources. A third party, the Southern Front, has been sulking at its total exclusion from government office and now there is a new southern party, the Azania Liberation Front.

Sudan's present government is only a month old. The prime minister, Mr Mohammed Mahgoub, leads a coalition of the two northern conservative parties, Umma and the National Unionists. Together the two parties have a majority in the constituent assembly that was set up after the revolution in November, but the south, which boycotted the elections for the assembly in April, has not voted anybody in to any of its sixty seats. The Arab parties have shown willingness to reach a constitutional compromise with the south, but black African nationalists, once their mistrust has been aroused by harsh treatment, are not easily placated. This is not an issue in which right and wrong can readily be discerned. What is plain is that the long search for unity between Arab and black Africa must look pretty hopeless while there is a civil war between the two sides within a single country.

SPAIN

Low rating

FROM OUR SPAIN CORRESPONDENT

GENERAL FRANCO'S first cabinet reshuffle for three years was a much more tame affair than people had been expecting. Don Alberto Ullastres, who has been minister of commerce since 1957 and was one of the principal organisers of Spain's emergence from the autarkic dogmatism and corruption of the 1940s and 1950s, has been wanting to resign because of ill-health for several months. But General Franco does not normally replace his ministers one by one, and the longer Sr Ullastres's departure was delayed, the more people began to think that it would be one of a number of important cabinet changes. But when the shuffle was finally announced on July 7th, it rated low in the interest of Spaniards reading their morning newspapers.

Sr Ullastres is succeeded by Sr García Monco, the director-general of the Banco de Bilbao. Sr Cánovas García, General Franco's harassed minister of agriculture, is replaced by a falangist lawyer, Don Adolfo Díaz Ambrona. Sr López Rodó, the chief planning commissioner, is promoted to the post of minister without portfolio.

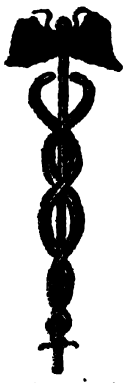
Sr López Rodó's elevation will silence those—notably in falangist and trade union circles—who have recently been devoting much time and energy to proclaiming the current four-year development plan a flop and its chief a cipher. It will, presumably, give him the positive authority he has lacked until now, and convince sceptical businessmen and union officials that the government is genuinely committed to planning. The appointment may even prove to be a psychological weapon of sorts against inflation. The new minister of agriculture, Sr Díaz, is expected to press for effective short-term measures to help the countryside in the interval until the long-term projects have a chance of maturing.

Otherwise, the slightly rejuvenated cabinet is very much the mixture—and the technique—as before. The Falange, Opus Dei, the big banks, and even the Carlists: each of the regime's main civilian pressure groups has received due consideration. Some amusement has been caused by the foreign commentators who have interpreted the changes as indicating a "victory for the progressives" or a "move toward Europe." The new ministers are able, hard-working men; but the only generalisation one can make about them is that their influence on Spanish affairs will, in all probability, be mildly salutary.

ITALIAN HEALTH SERVICE

A Sick Prospect

FROM OUR
ROME CORRESPONDENT



ITALY'S health and hospital services could hardly be in greater need of reform. At present there are eleven large corporations (*mutue*) and over a hundred smaller ones responsible for the medical care and health insurance of every classifiable group of citizens (except the unemployed and the indigent). The authorities will tell you complacently that the *mutue* look after some ninety-five per cent of the nation. In fact they do much more. An estimate worked out for *The Economist* by the ministry of health (which seems never to have attempted the task before) showed that the number of people receiving medical care from the eleven major corporations amounted to 68,427,122—that is, about sixteen million more than the entire population. The biggest of the health insurance corporations (Inam), had more than 53 million cases on its books for 1964.

Anomalies in the system of record keeping may account for some overlapping. Doctors receive from the *mutue* only 300 lire (3s. 6d.) for every consultation whereas for a private patient they usually get 3,000 lire. Doctors thus have an incentive to chalk up more consultations with insurance patients than are strictly necessary and this practice appears to be tolerated. Three doctors recently thought up something better than this. With the connivance of a high official in the insurance institute for which they worked, they drew 2,000 lire a day per child for the maintenance of several hundred tuberculous children whom they "farmed out" for 600 lire (7s.) a day to private clinics run by religious orders.

Corruption apart, the confusion, cost and waste involved in the system are incredible. In 1964 the eleven major *mutue* footed a bill of about £420 million. Even so, not all Italians are entitled to benefit from the insurance corporations. The type of care given varies and there is no uniform classification of disease or patients. Few people are certain about their rights and fewer are satisfied with what they get.

Moreover the insurance corporations find they are spending more and more on medicines. Inam, for example, which spent about £6 million on medicines in 1950, is now spending more than £120 million a year. Thanks to the looseness of Italian patents legislation, the pharmaceutical industry has attracted a very large amount of foreign investment and has expanded enormously since the war. There are some 60,000 brand-named medicines on sale and 65 per cent of this production is controlled by foreign capital.

The Communists contend (and the Socialists at one time agreed with them) that no national health scheme could work in Italy unless at least the basic pharmaceutical products were nationalised. The revised draft of the government's five-year development programme (which contains a whole chapter on the reform of the health service) only goes so far as to admit the need for new patents legislation.

The reorganisation and co-ordination of the hospital system is also urgent. The average of hospital beds in Italy is not much below the standards set by the World Health Organisation, but they are badly distributed. The 1962 census listed a total of 422,706 beds (for a population of 52 million) but the average was 10 per thousand persons in the north and 5.4 per thousand in the south. The five-year plan's long-term target for 1979 is 207,000 new beds for the whole of Italy. Its short term target is 82,000 new beds by 1969.

In this year's budget £42 million has been allocated for hospital buildings and equipment. This is a fair slice of the £200 million to be spent by 1969. The Communists are clamouring to have the hospitals, some of which are old, semi-independent, religious foundations, nationalised and handed over to regional and other local authorities. The five-year programme suggests that a share of responsibility for all the hospitals should be gradually handed over to local authorities.

The organisation of the medical profession also needs reforming. In Italy every ambitious young doctor aspires to university teaching status; without it, he cannot hope to reach the top of the profession, whether or not he does actually teach. To achieve this status young doctors work in the hospitals as assistants to the university professors. At present they are very badly paid or not paid at all. They enjoy no security and are entirely dependent for promotion (and in part for their remuneration) on the goodwill of their "patron."

Part of the payment made by hospital patients (or the insurance corporations responsible for them) goes to the universities and the bulk to the professor in charge of the hospital department, who is supposed to pay his assistants whatever he thinks fit. None of the universities, except Modena, publish these accounts. Some 4,670 "voluntary" assistant doctors and nearly as many more "paid" assistants unwillingly submit to this system as the only way of obtaining academic advancement. In addition to the "university assistants," the hospitals employ their own salaried assistant doctors.

Most general practitioners do some work for the insurance corporations on lines that are somewhat similar to the old British panel system. As a rule neither doctors nor patients find the method satisfactory and the GPs complain that their time is wasted with red tape. But if a doctor can acquire university teaching status and stand the pace of a fourteen-hour day, he may become a rich man.

Lower down the scale he can still make a decent living, and even the state district doctors (*medici condotti*), who receive from the local authority a house, a surgery and a fixed salary, usually do fairly well if their district is not too poor or isolated. When a young doctor sets up in practice, he sends his name to all the *mutue* operating in the district; members of the *mutue* are then free to choose him if they like. Some insurance corporations pay the doctor (and the chemist) directly; others reimburse the patient.

At the last annual meeting of the Medical Association, the majority of members declared they would not object to a change from the present insurance system to a national health system provided that the reform was made with the active collaboration of qualified representatives of the profession, that patients were free to choose their own doctors and that doctors did not become mere state employees. But the chances that a national health scheme will be introduced are not very brilliant just now. The five-year programme mentions only gradual co-ordination and leaves one guessing whether this refers to the hospitals or the insurance corporations or both. Even this will not be easy. The religious orders will not want to weaken the control which they enjoy over many of the hospitals. The corporations are powerful and immensely rich, and office in them is one of the choicest plums in the gift of the political parties. It will take more than a few scandals to destroy a system of administration by public, but not ministerially controlled, corporations.

In any case the National Council for Economy and Labour recently announced that in its opinion Italy cannot now afford a health scheme and should concentrate all its resources on productive investment until the economic crisis is past. The Socialists seem thoroughly discouraged. The Communists have stepped into the breach with a draft bill for a national health scheme and a report on the present state of medical care in Italy which even the ministry of health admits to be the best available. The bill has no chance of being passed in this parliament although, if presented by any other party in most west European countries, it would seem pretty moderate.

BRAZIL

Angry revolutionaries

FROM OUR CORRESPONDENT IN RIO DE JANEIRO

BRAZILIAN politics, like French classical drama, consists largely of long tirades, grand gestures and little action. But while Racine and Corneille respected the unities and ultimately resolved the conflict in the fifth act, Brazil's histrionic politicians seem to be able to improvise indefinitely.

At the centre of the stage are President Castelo Branco and "the men of April 1964" (the date of the military coup that threw out the Goulart regime). With caution and finesse, the president is trying to clean up the mess left by his predecessors and, even more difficult, to ensure that the "revolution against communism and corruption" continues after the promised elections in November 1966.

His present answer to this second problem has been to send to congress one of the strangest pieces of legislation ever proposed in the name of democracy: the "law of ineligibilities." In effect, this law tells the electorate whom it may not elect. Prominent among the "ineligibles" are members of proscribed political parties (such as the communists) and citizens found guilty of subversion, corruption or "abuse of economic power."

But these generalities do not conceal the specific purpose of the law: the elimination of Senhor Hélio de Almeida as the candidate for the governorship of Guanabara (Rio de Janeiro). Senhor Almeida is the chosen candidate of the Brazilian Labour party (PTB). But the law disqualifies former ministers of the Goulart government from standing as governors or vice-governors in next October's state elections. Senhor Almeida, who was minister of communications in 1963, was clearly overlooked when so many of Goulart's supporters (and others) were deprived of political rights last year.

The docile Brazilian congress jibbed briefly at the law of ineligibilities, but has now passed it. Although "selective democracy" is still in the ascendant, this further weeding out of "undesirables" still leaves unsolved who will carry on the revolution after 1966. The "men of April" have not played to the gallery. The disinflationary financial and economic programme conducted by the minister of planning, Senhor Roberto Campos, is unlikely to begin to succeed in the eyes of the general public until the end of this year—if then. Disinflation is not a good electoral platform in Brazil. Yet if the elections are held, it will be the popularity and tangible achievements of the government, not its theoretical long-term aims, that will be on trial.

The government keeps its main opponents at arm's length: Senhor Kubitschek

Carlos Lacerda: preening for president

in Paris; Senhores Goulart and Brizola in Montevideo; Senhor Arrais now in Algiers. The Left is in disarray; a tragi-comedy of players without producer or star. It is on its right that the government faces its most dangerous opposition. And, ironically, the leading opposition figure is Senhor Carlos Lacerda, a man whose general outlook, administrative ability and political appeal might have made him the natural candidate to carry on the fight against "communism and corruption." But Senhor Lacerda's eyes, which wept with joy during the revolution, began to harden soon afterwards.

Near the end of his governorship of Guanabara, Senhor Lacerda is campaigning for his choice of successor and preening himself for the presidential elections. Although at present the presidential candidate for the União Democrática Nacional, which supports the government, Senhor Lacerda has emerged as the regime's most caustic critic. As the mouthpiece of the disappointed middle and business classes, and playing for a wide spectrum of popular support, he has pilloried the government for its economic policies, done his best to demolish the reputation of Senhor Campos and reverted to his former leftist vocabulary to denounce the present political and economic alignment with Washington. If he is given a free rein, Senhor Lacerda will undoubtedly use all the officially discredited slogans of radical nationalism, and every personal insult in his fertile storehouse of invective, in his bid for leadership.

Senhor Lacerda apart, the government is threatened from various right-wing quarters. There are the angry colonels who ran the political inquiry tribunals, three of whom recently resigned, muttering imprecations against the government for its lack of support. One of them, Colonel Osnelli Martinelli, leader of the quasi-fascist Radical Democratic League, has been arrested for "indisciplinary statements" and confined to Copacabana Fort, where his friend, Senhor Lacerda, paid him a visit of condolence.

More ominous is the disaffection of Senhor Magalhães Pinto, governor of the powerful state of Minas Gerais. His quarrel with the government began when the president vetoed his continuation as governor beyond October's elections: for him the revolution is "finished" and devouring its own entrails. He is outraged by the disciplining of the colonels, and by the temporary arrest of Admiral Rademaker, one of the signatories of the Institutional Act that gave the present regime its modicum of constitutional legality.

President Castelo Branco recently emphatically reaffirmed his intention of holding elections at the promised time. All the same, kites are being flown for the virtues of *continuismo*. The choice before the austere, authoritarian president may turn out to be the defeat of all he has worked for or a further adjustment of the constitution that would permit his nominee (or even himself) to carry on until 1970. Many of the president's collaborators are known to want this, and think that it can be most surely achieved if the next president is elected by congress and not by the nation. A decision on this is unlikely until the state elections in October show which way the wind is blowing.

NIGERIA AND EUROPE

In from the cold

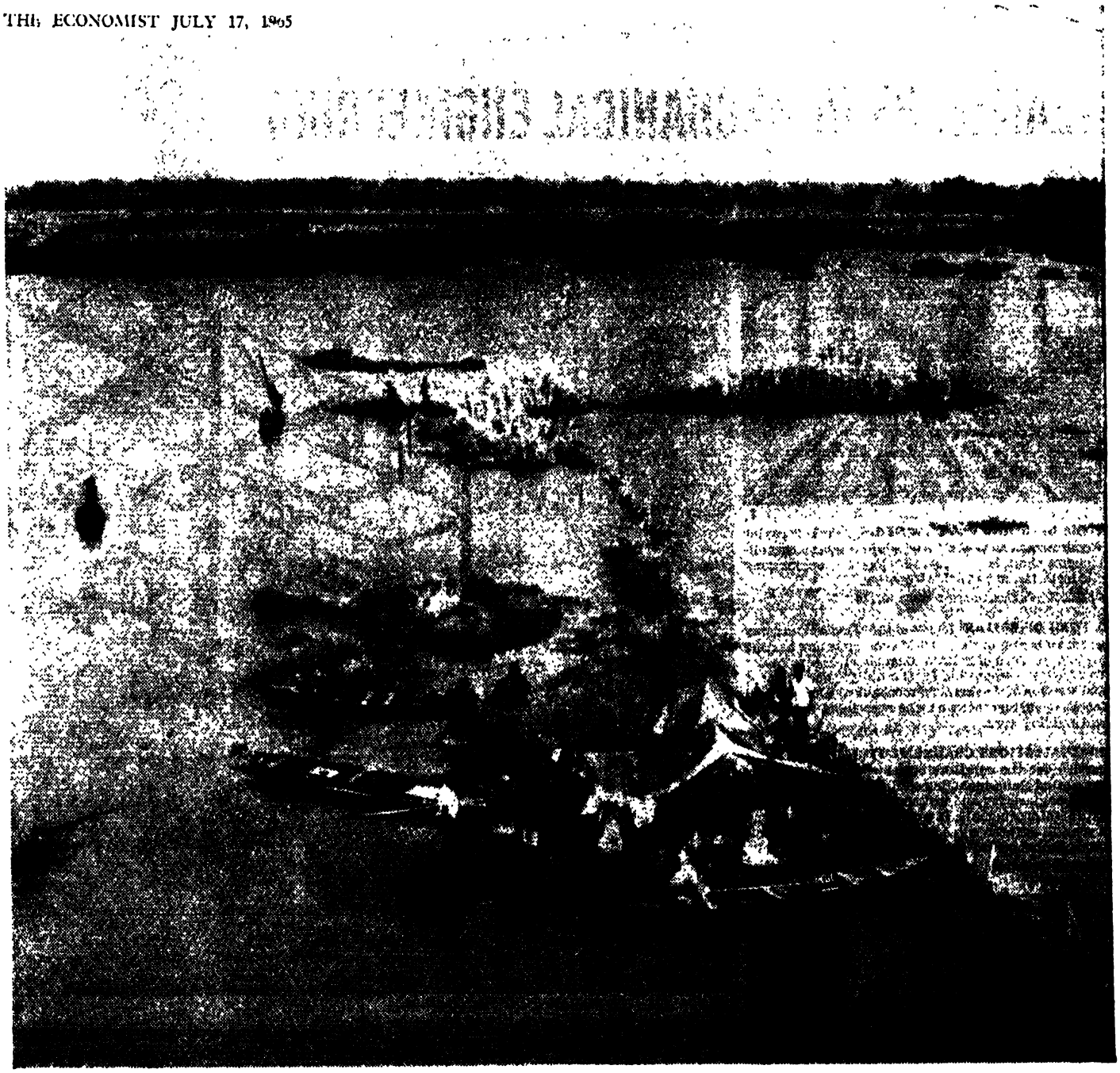
FROM A CORRESPONDENT

Brussels

AS the storm clouds gather over the common market, there is still one bright spot in the sky for the European Commission to feel satisfied about. After more than eighteen months of determined effort, the negotiations for Nigerian association have been brought to a successful conclusion. The French boycott may yet prevent the agreement being formally signed this autumn and entering into force at the beginning of next year as planned, but the real work is now over.

If the European community lives to see happier days, this agreement will be of great significance. It is the first association agreement with a Commonwealth country. Under it, Nigerian exports to the six countries of the common market will receive the same privileged treatment as those of the 18 African states (mainly former French colonies) already associated with the common market under the Yaounde convention. On four sensitive items (cocoa, plywood, groundnut and palm products) this preferential access will be limited to an annually expanding quota. In most other respects the agreement follows the Yaounde pattern closely, although, as Nigeria asked for no development aid, its institutional involvement with the Six has been kept to the bare minimum.

In population and economic strength, Nigeria almost outstrips all the Yaounde signatories put together. Therefore by accepting Nigeria, France has implicitly agreed to end the almost exclusively francophone



Sea, swamp, slutch, mangrove, muck and maybe . . .

And there's a lot of maybe when you're looking for oil.

This is the Niger Delta. In six thousand square miles of onshore swamp and offshore silt Gulf is at work. Boring, tearing, drilling, gouging into earth and ocean to find more oil.

And Gulf *is* finding it.

Seven miles offshore, recently discovered Gulf wells are producing in commercial quantities. Gulf has high hopes of bigger yields to come.

But this depends on a lot more exploration—a lot more maybe. One thing is certain. Nigeria provides another new source of supply for Gulf.

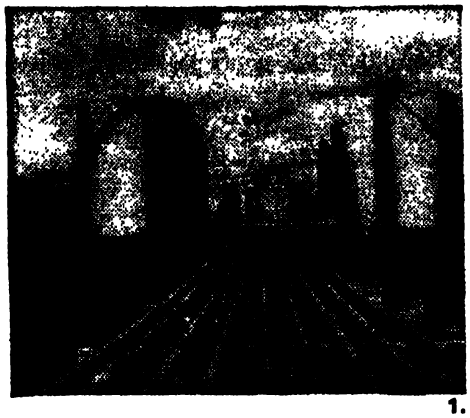
Gulf is busy all over Europe building new refineries, ocean terminals and networks of service stations. And, backed by worldwide resources, is putting more oil, more energy, to work for Europe.

Gulf Oil Corporation, Pittsburgh, Pa., USA, and throughout the world.

Gulf

GULF IS OIL

TEAMWORK IN MECHANICAL ENGINEERING

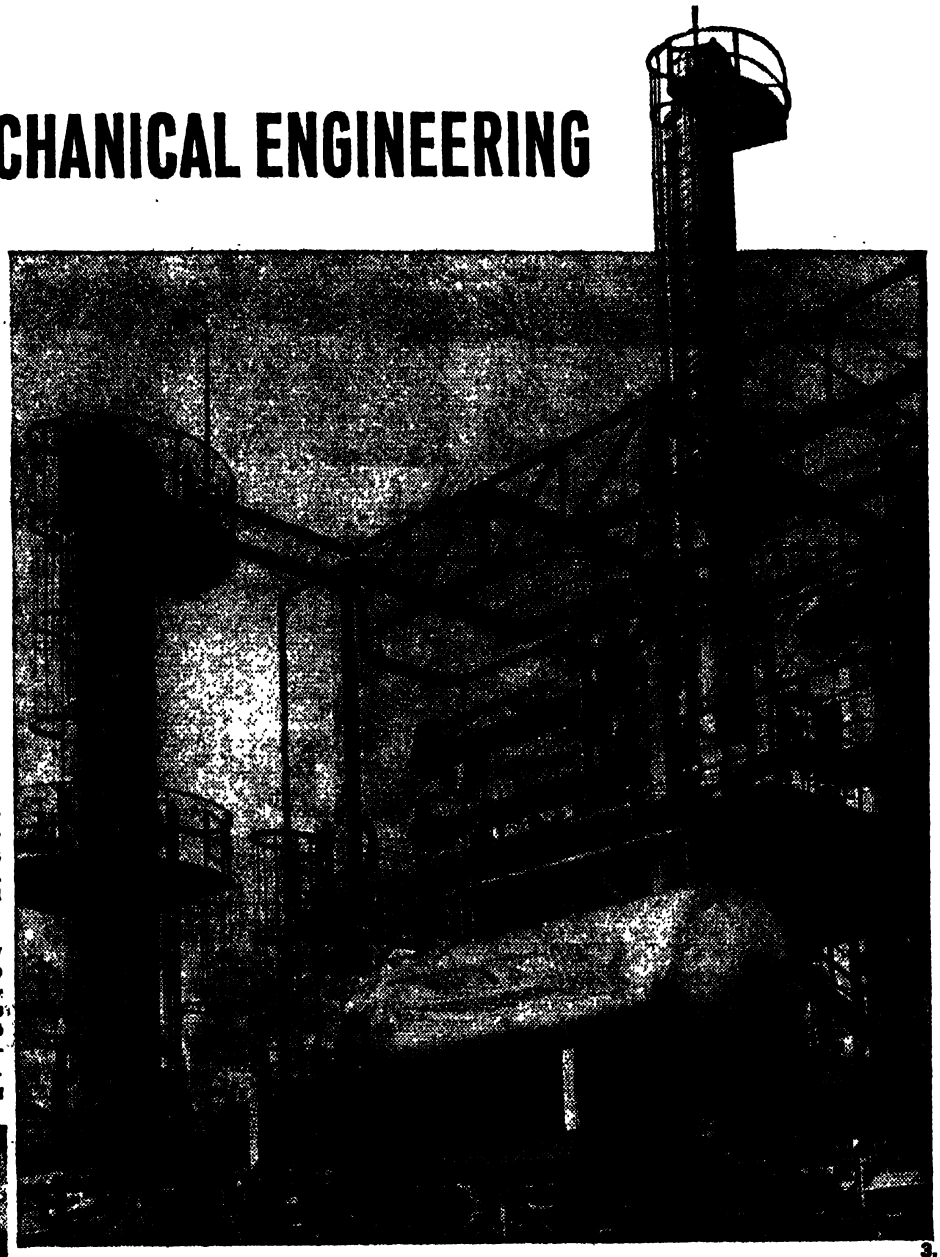


1.

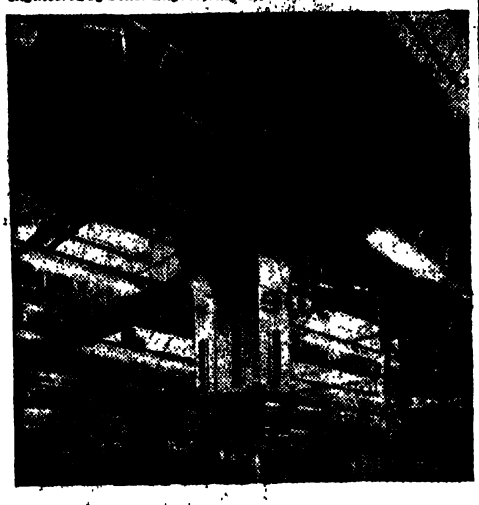
1. OIL-BLENDING PLANT, NIGERIA Another Taylor Woodrow contract—West Africa's first lubricating oil-blending plant. Mechanical and electrical engineering and installation by Taylor Woodrow.
CLIENTS: The Shell Company of Nigeria Ltd.

2. FORD OF BRITAIN A view of the adjustable six-way warm air heater outlet, part of a complete new heating system for Ford of Britain, Dagenham, Essex. Taylor Woodrow is responsible for the design, management and erection of the extensive mechanical and electrical installation, together with the associated structural and building work.

3. INSTALLATIONS, GRANGEMOUTH Taylor Woodrow carried out the complete erection of this butadiene extraction plant, including civil, mechanical and electrical engineering and instrumentation. The plant is capable of producing 15,000 tons of high-grade butadiene a year. Illustrated is a section of the depropaniser columns, exchanger train & lift section of the re-run unit.
CLIENTS: British Hydrocarbon Chemicals Ltd. · Designed and engineered by Fluor Engineering & Construction Co. Ltd.



3.



2.

Taylor Woodrow's reputation in mechanical as well as civil engineering is based on a record of teamwork and success in major undertakings for some of the world's leading oil, chemical and special process companies. A single, all-in contract can include every aspect of complete industrial plants, from field studies and design to construction and mechanical installation ready for operation. Activities include the mechanical and electrical design, procurement and construction of crude, product and process pipelines, storage facilities, industrial processes and utilities including instrumentation. Advanced technical procedures plus Taylor Woodrow's policy of teamwork, ensure the highest standards.

For your next project why not contact GRAHAM WHITE, BSc., AMICE., AMIMech E.

TAYLOR WOODROW

TEAMWORK—
THE SYMBOL OF SERVICE

THE WORLD-WIDE TEAM OF BUILDING, CIVIL AND MECHANICAL ENGINEERING CONTRACTORS · SOUTHALL · MIDDLESEX · TELEPHONE: WAXlow 2366

character of African association. Furthermore, France has at last made a reality of the open door declaration towards the African world which the partners squeezed out of Paris in 1962 as their price for accepting the Yaounde convention. The three east African territories of Kenya, Uganda and Tanzania are already trying to follow Nigeria; by all indications they will not be the last.

Nevertheless the rejoicing of the Nigerians will be tempered with the bitter knowledge that they are simply trying to regain the access to the common market that they previously enjoyed. To do this they have had to pay a price: the Six will receive a small margin of preference on 26 items of little importance to themselves and of almost total indifference to the remainder of Nigeria's trading partners. It is, in fact, no more than a symbolic preference and this may set a valuable precedent for the east Africans later.

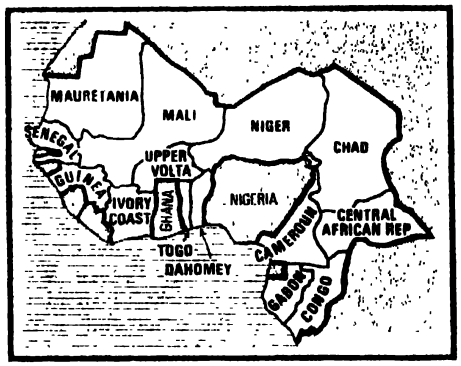
But it still represents a concession in principle for a country which has followed a non-discriminatory trade policy so far and, along with the United Nations, has argued that the developing world should not be asked to pay this price for access to the industrial nations. It is also the first time that a Commonwealth country has instituted a preference against Britain.

From this point of view, the Nigerian negotiations have not shown the common market to best advantage. Also, by extending the circle of its privileged poor, it will win no further respect or admiration from those left outside, particularly in Latin America. In terms of west African stability, however, there may be a political harvest.

As an associate, Nigeria should find co-operation easier with its French-speaking neighbours who, along with the rest of the eighteen common market associates, backed its application as a point of African solidarity. Most sane Ghanaians now admit that with the Maghreb knocking on the commission's door as well (talks with Morocco and Tunisia began this month) there is no point any longer in denouncing association as an imperialist plot. It may only be a matter of time before their brothers in Guinea start wondering whether they too should follow Nigeria in from the cold. The question then would not be who joins, but who stays outside.

EX-FRENCH AFRICA—1

Changing patterns



VISITS to Paris by heads of ex-French African states are not infrequent. But it is worth remarking that General de Gaulle has entertained no less than six of them this month, at a time when the familiar patterns of west Africa are significantly changing.

In February the presidents of thirteen ex-French republics met at Nouakchott, the capital of Mauretania. As a gesture to pan-African solidarity after the creation in 1963 of the Organisation of African Unity (OAU), they had agreed to end the political life of their own former group. At Nouakchott they revived it, as the *Organisation Commune Africaine et Malgache* (OCAM), and embarked on an open counter-offensive against their more "radical" neighbours, in particular Ghana. A handy weapon for immediate use against President Nkrumah was the threat to boycott the OAU's third summit meeting, due to be held in September at Accra, unless he renounced his support of subversive campaigns against his neighbours and expelled the emigré groups that were using Accra as a base for terrorist action against other governments.

An attempt to kill President Diori Hamani of Niger on April 13th, the assassin being branded as a Ghana-trained terrorist, heightened tension. While Dr Nkrumah denounced the OCAM as being "the American group of states in Africa," most of its leaders met at Abidjan in May and demanded that the OAU should reconsider its plans for the Accra conference. Over Ghana's protests, the OAU foreign ministers met in Lagos in June to discuss the problem. After several days of deadlock, they extracted from Dr Nkrumah a promise that he would deport his subversive guests and wind up their organisations on his territory. Even so, several OCAM leaders indicated that they would need firm assurances that he had fulfilled his promise before they committed themselves to attending the September meeting. It was arranged that Ghana should be "inspected" by an international mission shortly before the Accra "summit."

The meetings at Nouakchott and Abidjan also yielded an invitation to Mr Tshombe's government in the Congo (Leopoldville) to join the OCAM group; most of its members offered him help in resolving his problems, including the problem of maintaining order, although they stopped short of promises to send him troops. The invitation was promptly accepted. This proved too much for the ex-French Congo (Brazzaville), whose relations with Mr Tshombe have become newly embittered. The Congo-Brazzaville government's latest statements indicate that it does not now regard itself as a member of OCAM, although its president had taken part in the founding meeting at Nouakchott. On July 6th it was revealed that Mauretania, whose leaders also dislike Mr Tshombe, had decided to leave the organisation.

The last-minute postponement of the Afro-Asian conference at Algiers in June averted a wider split in the OCAM ranks. Some of its member states had rejected invitations to Algiers, some had accepted, some would have sent observers only, and Mr Tshombe had been bluntly told by Mr Ben Bella's spokesmen that he would not be admitted. This disunity reflected the fact that among the OCAM states the really "hard core" consists of little more than the group led by Mr Houphouët-Boigny. Since 1959 the *Conseil de l'Entente* has linked his Ivory Coast with Volta, Niger and Dahomey (the last named, after straying from the *Entente* fold for two years, has just resumed full participation, after solemnly proclaiming the end of its recent quarrel with Niger). Togo and Madagascar have also got fairly closely into line with the *Entente* group. But Mr Houphouët-Boigny and his allies have needed to deploy a lot of energetic diplomacy to draw in other OCAM states that are less enthusiastic about Mr Tshombe and less worried about Dr Nkrumah.

Most notable among recent trends have been the rapprochements between Ivory Coast, Senegal and Mali. Only a couple of years ago Mali seemed to stand with Guinea at the extreme left of *Afrique francophone*. As recently as March, it looked like joining Guinea, Ghana and Algeria in a move to revive the former "Casablanca" group of radical African states. But in fact it has been turning back to France for financial and economic aid; and in the past two months President Modibo Keita has had a series of cordial meetings with the presidents of Ivory Coast, Niger and Volta, even while violent personal insults were resounding between them and his close comrade of yesterday, President Sekou Touré of Guinea. He has also met his former particular antagonist, President Senghor of Senegal, and listened politely to the latter's proposals for a new regional group that would aim to embrace both Mali and Guinea.

Mr Senghor's old rivalry with Mr Houphouët-Boigny has been sublimated into a new joint effort since the Nouakchott conference. Although Mr Senghor has sought to develop good relations with Mr Sekou Touré, while the *Entente* leaders and the president of Guinea continue to abuse each other, this has the look of a kind of tacit division of labour. (Guinea's own position is shifting interestingly; the negotiations intended to normalise its relations with France have gone so well that its government has spoken of "a turning point".)

Mr Senghor has also used his slightly detached position to conciliate Cameroun and other states when their leaders jibbed at

going all the way with the *Entente* group in regard to Mr Tshombe. In return, the *Entente* leaders have spoken kindly of Mr Senghor's proposed new grouping in the west. Former animosities have been overcome by the shared anxiety to close ranks in the face of the "revolutionary" challenge. The ranks may well be drawn even tighter as the September date set for the all-Africa "summit" at Accra draws nearer.

Whether this meeting can be staged at all, at that time and in that place, still seems questionable in spite of the outward agreement reached at Lagos in June. Dr Nkrumah cannot relish the prospect of having to welcome Mr Tshombe as an honoured guest. But if he refuses to do so, most of the OCAM leaders may stay away from Accra, however convincingly Dr Nkrumah shows that he has cleansed his capital of potential assassins. The ex-French states, small and weak but numerous, seem in a position to wreck the gathering on which the president of Ghana has staked so much of his prestige.

EX-FRENCH AFRICA—II

Steady does it

BY OUR SPECIAL CORRESPONDENT LATELY IN WEST AFRICA

AFRIQUE FRANCOPHONE—the phrase is an oversimplification, but it does describe a real enough entity that stretches across Africa, with a few English-speaking fingers poking into it, from Dakar to Bangui, from the Congo river to the Senegal. On the surface, the Frenchness of ex-French Africa is more striking than its Africanness. In Bamako, where there is nothing in the shops, white and black lunchers rich enough to do so devour snails and frogs' legs flown from France, and sip Cap Corse and Pernod before eating. Up and down the west coast ministers divide questions into three parts and French ideas of monumental *urbanisme* prevail over the lively disorder of the *medinas*. In Dakar the streets are called after prominent politicians of the Third Republic; in Fort Lamy after officers who took part in General Leclerc's wartime march to the Mediterranean.

Yet west African Gaul is divided into several parts, each with its own problems, and each with a government run by an élite that is hatching a national consciousness so quickly as to make one wonder whether the talk of post-colonial brotherhood was at all well-founded. Senegal, in desperate economic trouble, is as different from the relatively prosperous Ivory Coast as Spain is from France. The Ivory Coast's national income is coming up towards that of the poorer European countries, at 200 dollars a head compared with 310 in Portugal. In the interior lie the savannah states along the southern edge of the Sahara, which have little chance of developing and practically no natural resources to develop.

In view of this diversity it is a tribute

Houphouët-Boigny of the Ivory Coast

to the residual unity of French-speaking Africa that it should have found a sufficient measure of agreement within itself to work as a single entity at all. Last February's meeting at Nouakchott, at which all the heads of state of ex-French African countries were present except two (Guinea and Mali), gave expression to a feeling that the Francophone voice had been drowned in the councils of Africa by other people's revolutionary pyrotechnics. The Nouakchott meeting agreed on the formation of the *Organisation Commune Africaine et Malgache* (*OCAM*), a revival of the former *Union Africaine et Malgache*. The new organisation, like the old one, reflects the influence, political, economic and cultural, that France still wields.

All this has been a considerable success for Mr Houphouët-Boigny, the president of the Ivory Coast, and the chief architect of the policies enshrined in the OCAM. It is also a success for French diplomacy. Just how skilfully the operation has been carried out is shown by the fact that it has received some support even from Congo-Brazzaville, restive since the coup that threw out Abbé Youlou in 1963, and that lines have been kept open to Guinea and Mali out on the left wing. The long-term political calculations behind it are also significant. The rulers of OCAM, realising that they cannot win a competition in pan-African purity with President Nkrumah of Ghana, are banking on winning popular support at home by a complex policy that involves a show of moderation designed to keep bringing in European aid and investment.

The Ivory Coast has gone furthest in this direction. With the help of his ubiquitous French and West Indian advisers, President Houphouët-Boigny has made Abidjan a glittering boom town with what seems the most beautiful hotel in the world and a new tower block built every six months. A little of the prosperity is even beginning to rub off from the French on to the African population. In the villages around Abidjan mud and wattle huts are being demolished and replaced by brick ones. The clothes of Africans in the city centre are cleaner and newer than those of the often ragged population of Dakar.

Sekou Touré of Guinea

By comparison with Ghana, Senegal or Dahomey, the Ivory Coast started its independent life with considerable arrears to make up in education of all kinds. But the proportion of children at primary schools has expanded from 8 per cent in 1951 to 42 per cent in 1963, and the Ecole Nationale d'Administration provides an earnest of the government's intention to speed the training of African officials.

Mr Houphouët-Boigny has said he means to make the Ivory Coast "an African Switzerland," and by seeking an understanding with his neighbours he is trying to make sure that it shall be a Switzerland with a supply of labour. But his policy could be undermined by even a slight political upheaval, which would reduce European confidence; and the sacrifice of national pride which the retention of so many foreign advisers represents could easily cause such an upheaval. The Ivory Coast, like all French-speaking African states, is a dictatorship sustained by the security forces as well as by the president's own considerable political grasp.

Just now the Ivory Coast is at the centre of French West African policies. It is a working model of one solution to the problem of how the very weak states created by the dissolution of the French West African federation can come to stand on their own feet. At the other end of the scale lie Guinea and Mali, deprived in recent years by their "revolutionary choice" of French help, but buoyed up by a feeling of their own importance.

Between these two extremes can be ranged the other states of *Afrique francophone*. What they have in common is a present need for aid from France and from the European common market. And if that aid is to be forthcoming and to be used effectively, then permanent revolution is out. The experiment in African conservatism that is represented by OCAM may be less effective than the Ghana-Guinea-Mali experiment in whipping up national enthusiasm. But the alternative would probably be a series of coups d'état and breaks with France which no ex-French African state can probably afford. Even in Bamako snails will be eaten for a long time yet.

GUINNESS FOR FINANCIERS

TRUST

STERLING

STRONG

STAPLE GUINNESS

RALLY

!

YIELD

PAR

TREND

WHY A MANAGING DIRECTOR WITH MY HEAD IN THE CLOUDS?

"Because I'm being spoilt. I've found that since we invested in a Beagle executive aircraft we've been doing a sight more business, faster and more economically. That's right. We've *saved* money and the Beagle has more than paid for itself already. Besides all this it saves so much in time and energy. *This* is the way to do business."

Enjoy the comfort, the timesaving, the convenience of stepping into your own company executive aircraft and, in no time at all, arriving hundreds of miles away, fresh and ready, for the business of the day. Enjoy the red carpet treatment which seems to follow executive aircraft owners wherever they go. Enjoy the rich business rewards and the economy of operation. Enjoy Beagling to business . . . your Beagle will serve you well.

BEAGLE

BEAGLE AIRCRAFT LIMITED

SHOREHAM AIRPORT, SHOREHAM-BY-SEA, SUSSEX. TELEPHONE: 2301
REARSBY AERODROME, REARSBY, LEICESTERSHIRE. TELEPHONE: 321

MANUFACTURERS HANOVER TRUST COMPANY · New York

DIRECTORS

BARNEY BALABAN
Chairman of the Board, Paramount Pictures Corporation

THOMAS M. BANCROFT
President, Mount Vernon Mills, Inc.

WILLIAM S. BEINECKE
President, The Sperry and Hutchinson Company

JOHN B. CLARK
Honorary Chairman, Coats & Clark Inc.

JOHN A. COLEMAN
Partner, Adler, Coleman & Company

LOU R. CRANDALL
Chairman of the Board, George A. Fuller Company

RICHARD G. CROFT
Chairman of the Board, Great Northern Paper Company

JARVIS CROMWELL
Chairman of the Board, Iselin-Jefferson Financial Co., Inc.

HORACE C. FLANIGAN
New York

GABRIEL HAUGE
President

J. VICTOR HERD
Chairman of the Boards, The Continental Insurance Companies

JOHN E. HEYKE, JR.
President, The Brooklyn Union Gas Company

WILLIAM F. LAPORTE
Chairman and President, American Home Products Corporation

BARRY T. LEITHEAD
President, Cluett, Peabody & Co., Inc.

JOHN T. MADDEN
Chairman of the Board, Emigrant Industrial Savings Bank

BIRNY MASON, JR.
President, Union Carbide Corporation

EUGENE J. McNEELY
Director, American Telephone and Telegraph Company

R. E. McNEILL, JR.
Chairman of the Board

EUGENE S. NORTHROP
Vice Chairman of the Board

ROBERT G. PAGE
President, Phelps Dodge Corporation

RICHARD S. REYNOLDS, JR.
Chairman of the Board, Reynolds Metals Company

CHARLES J. STEWART
New York

GEORGE G. WALKER
President, Electric Bond and Share Company

J. HUBER WETENHALL
President, National Dairy Products Corporation

Consolidated Statement of Condition, June 30, 1965

ASSETS

Cash and Due from Banks	$1,501,041,774
U. S. Government Obligations	682,766,150
State, Municipal and Public Securities	690,967,187
Other Securities	39,050,537
Loans (After deducting Reserve for Possible Loan Losses $133,171,377)	4,017,986,418
Banking Premises and Equipment	70,958,672
Customers' Liability on Acceptances	268,101,621
Accrued Interest and Other Assets	54,096,625
Total Assets	$7,324,968,984

LIABILITIES

Deposits	$6,370,549,089
Mortgages Payable	11,260,514
Borrowed Funds	76,700,000
Acceptances	274,483,964
Accrued Taxes and Other Expenses	29,073,136
Dividend Payable July 1, 1965	6,250,000
Other Liabilities	23,052,157
Unearned Income	25,091,840
Total Liabilities	$6,816,460,700

CAPITAL ACCOUNTS

Capital Stock ($15 Par)	$ 187,500,000
Surplus	212,500,000
Undivided Profits	103,508,284
Reserve for Contingencies	5,000,000
Total Capital Accounts	$ 508,508,284
Total Liabilities and Capital Accounts	$7,324,968,984

Assets carried at $461,059,420 were pledged for various purposes as required or permitted by law.

International Division:
44 Wall Street, New York

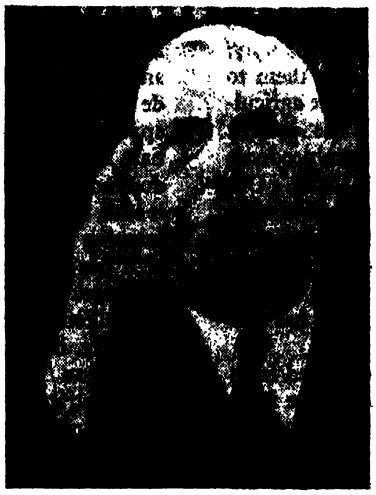
London Branches:
7 Princes Street, E. C. 2; 10 Mount Street, W. 1, London

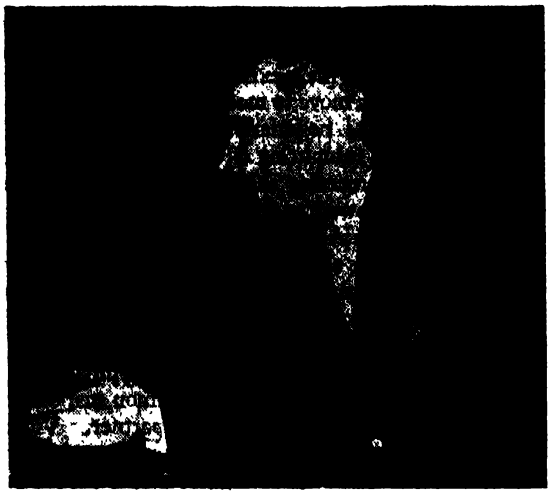
Representative Offices:
Beirut, Caracas, Frankfurt, Madrid, Manila, Mexico City, Paris, Rome, São Paulo, Tokyo

Incorporated with Limited Liability in U.S.A.
Member Federal Deposit Insurance Corporation

THE WORLD □ AMERICAN SURVEY

More European than the General





WASHINGTON, DC

THE Administration has met General de Gaulle's boycott of the European Economic Community with a gloomy silence and a studied air of inaction. The gloom is spontaneous. Even the inaction is, for the present, more than an affectation. It is not that there is any illusion about the extent to which United States interests are involved. But the fog that shrouds the whole crisis, the motivation that set it off and the contestants' intentions in the next phase, is genuinely thick. Now and then the air stirs to reveal some movement in the French lines and all that has been glimpsed in that quarter tends to confirm the Administration in the view that General de Gaulle is executing a political manœuvre, his mind far from any concern with the agricultural financial arrangements which are the nominal occasion of the crisis. The camp of the European Commission and the other five common market countries shows little movement and no evidence of what this coalition, if indeed a coalition exists, intends to fight for or of where or whether it will choose to fight.

With so little to go on, the Administration has not approached the point of forming a consensus in its own ranks, beyond the prudent ostensible position that the affair is a European one, for Europeans to resolve as they think fit. Should the political issues in the common market's dispute harden beyond a certain point, an American attitude of total non-involvement would imply a political decision in itself. To promote a strong union in western Europe, and to encourage the EEC as the instrument to that end, are firm commitments embedded in the thinking of successive Administrations. Since President Johnson took over the government no occasion has arisen, until now, when that policy required more than routine reaffirmation.

Such an occasion may be approaching as the conflict in the common market unfolds. Naturally there are people in the Administration, disillusioned by the failure of President Kennedy's grand design, who would oppose any further investment of American goodwill in the pursuit of visionary political aims in Europe. Probably there are not enough of these people to prevail, unless the European Community stands up to the present test so badly as to disqualify itself. President Johnson personally has hardly taken a hand in the question yet. One can imagine him continuing the established policy in a more cautious and disillusioned manner than his predecessor. But he has given no reason to suppose that he would willingly jettison it.

General de Gaulle, it tends to be conceded, enjoys a strong tactical position in the present dispute and he can come out of it with appreciable gains if he chooses. Opinions differ about whether this was avoidable or not, about whether Dr Hallstein and the majority of the European Commission were well advised to choose the moment of the negotiation on agricultural finance to press for greater influence for the Commission and an enhanced role for the European Parliament. One view is that if General de Gaulle had not blocked their path today, he would have blocked it tomorrow; thus the moment chosen was immaterial. Another opinion is harder on Dr Hallstein: that it was a mistake to try to rush the political development of the Community against French opposition and that he should at least have waited until January, when the transition to qualified majority voting in the Council of Ministers would have enabled the Community to get on with its work in spite of a French boycott.

The hard words that are privately dropped about Dr Hallstein's tactical error are sorrowful, whereas the hard words about General de Gaulle are angry. Few people in Washington are altogether sorry that the French President should be doing so much to discredit his servants and enhance his own unpopularity in European eyes. The unending pinpricks from Paris have made Washington an uncharitable place where General de Gaulle is concerned. Policy-makers dwell wistfully on the idea that one day, on some matter or other, the other members of the common market may begin to stand up to him. They have not much faith in the ability of any western European leader to defy him at present but, they think, even if he is permitted to win this round his success may rankle fruitfully. By now American policy is largely adjusted to the idea of managing without France in a number of fields. Unless it had been willing to contemplate new international monetary arrangements designed to operate if necessary without French help, the Administration might not have made the proposal for a world monetary conference announced on July 10th by the Secretary of the Treasury, Mr Henry Fowler (and discussed on page 261). By now the Administration is habituated to the idea of carrying on the North Atlantic Treaty Organisation without France. But such ideas will only work if the other members of the common market are willing to play their part, if necessary defying French displeasure. The great Nato row can hardly be put off much longer. Thus the amount of spirit that the other Europeans show in standing up to General de Gaulle now is of interest for the future.

While General de Gaulle is credited with more skill and vastly more resolution than his European opponents, it is accepted that his real advantage over them lies in the fact that, unless the common market can be shaped to serve his purposes, he is indifferent to whether it lives or dies. In this respect the United States is in the same boat with General de Gaulle's other opponents. It still believes that the European Community is needed as a factor for

stability and an alternative to possibly violent nationalism in Europe and as a generator of economic growth in the world. Additionally, the United States has a particular interest through the Trade Expansion Act of 1962 and the Kennedy round of reciprocal tariff reductions; in their present form these depend on the EEC as the principal negotiating partner of the United States. The French boycott of common market meetings makes it impossible for the representatives of the EEC in the Kennedy round at Geneva to obtain new instructions. Without certainty, but with probability, it is thought that their existing instructions do not allow them to make any serious move to meet the American position in the agricultural side of the negotiations. September 16th is the present agreed date for submitting offers on a wide range of farm produce; the chances of meeting this date have begun to look slight. Out of five years allowed to the President to exercise his tariff-cutting powers under the Act of 1962, three have gone by. Time is almost beginning to run short and at present the negotiations are barely moving. The suspicion that this is mainly because of a French reluctance to make any general agreement on tariffs at all has still not hardened into certainty.

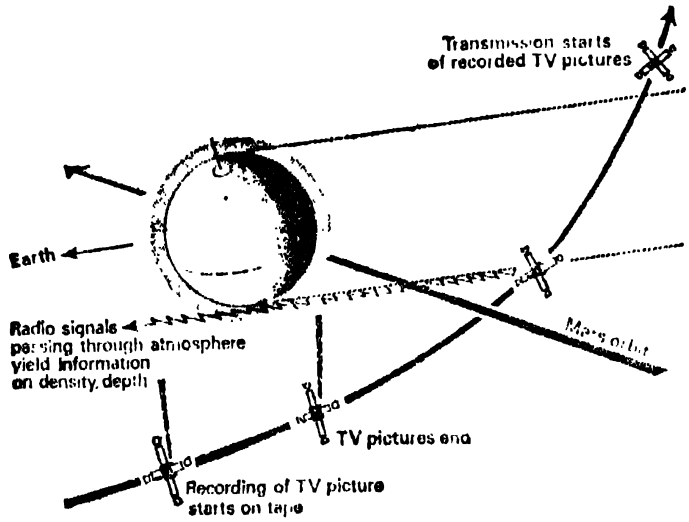
Ideas for some possible alternative approach are ventilated from time to time but, so long as the common market exists, there is no substitute for it as a negotiating partner. Virtually no one in Washington imagines that the common market is about to cease to exist nor would anyone suggest that it should be allowed to die for the convenience of the Kennedy round. The problem is to keep the common market in being, to clear the present deadlock so that full working can be resumed and to do this without selling its soul to General de Gaulle. How far it is necessary to go to satisfy the French depends on what their purpose is. They may want to put off the transition in the Council of Ministers from unanimous voting to qualified majority voting. An understanding that the majority would exercise restraint in outvoting one of the major members on a vital matter would not be thought intolerable. To defer the transition formally would be another matter: it would require a change in the Treaty of Rome. Somewhere about this point, American disapproval of any distortion or dilution of the Community in its essentials would probably begin to be felt. Nobody in Washington is prepared to define all the possibilities that would be thought objectionable. What it amounts to is that the Administration, if, as seems likely, it sticks to the long-established lines of policy, would want the institutions and procedures of the common market to be preserved. It would want to keep open the prospect that the Community might resume, at some future time when France has a government that will permit it, its progress towards a European Union.

Whether General de Gaulle will keep within these limits is anybody's guess. Such hints as there have been have been indirect and intangible. Not much credence is given to the idea that General de Gaulle might propose to reopen consideration of the British application for membership of the common market and to negotiate a revision of the Treaty of Rome at the same time. This idea does not seem to be traceable to the General. To its other demerits it adds that of being improbable. If General de Gaulle has stopped lumping Americans and British together as "Anglo-Saxons," news of it has not reached Washington. Mr Walter Lippmann mused this week that "a looser greater Europe which would include the whole continent" might have something to be said for it. But in their interpretation of General de Gaulle's intentions, Mr Lippmann and the Administration have long differed. The Administration does not think that General de Gaulle wants a looser, greater Europe; it thinks that he wants a looser little Europe, with France in full charge and Britain outside.

Relodged in Vietnam

UNDOUBTEDLY, General Maxwell Taylor does want to retire finally to private life. But his insistence on being allowed to do so comes at a convenient time for President Johnson, particularly since Mr Henry Cabot Lodge is ready to go back to Saigon to replace General Taylor as American Ambassador there. Only just over a year has passed since the General took over the job from Mr Lodge who has spent much of the interval touring world capitals explaining and discussing the situation in Vietnam. So America's allies can now feel assured that their views on this subject are understood in Saigon. And once again it has become

Rendezvous with a planet



As *The Economist* goes to press, Mariner 4 should be starting to meet its publication deadline. The first of the photographs of the planet Mars which, with luck, the spacecraft took on Wednesday evening should be emerging. But the suspense, which began when the camera-laden vehicle was launched on its circuitous journey last November, will be prolonged. Mariner could not begin transmitting the television signals containing the pictures until it had passed behind the red planet and was once again "visible" from earth. Moreover the signals, extremely weak and with 134 million miles to travel, come in so slowly that at least eight hours is required to assemble one picture in its entirety. Ten days may elapse before the whole series of twenty-one is in the anxious hands of officials at the Jet Propulsion Laboratory in California. They have tried in vain to dampen the excitement surrounding the first close look at another planet by saying that maybe there will be no pictures at all.

If Mariner fulfils the highest expectations, however, it will yield views of Mars twenty-five times clearer than can be had through a terrestrial telescope. These might tell something about the thickness of the planet's polar ice cap or its changeable dark patches which conceivably hold some kind of plant life. Radio signals from Mariner, passing through Mars's atmosphere, may be able to measure the surface pressure; this is crucial for the plan to put a much heavier craft called Voyager, laden with instruments but no men, on Mars early in the next decade.

Chemical NY

CHEMICAL BANK NEW YORK TRUST COMPANY

Consolidated Statement of Condition

At the close of business June 30, 1965

Assets

Cash and Due from Banks	$1,230,845,751
U. S. Government Obligations	544,662,948
State, Municipal and Public Securities	914,489,926
Other Bonds and Investments	17,530,429
Loans	3,652,584,007
Banking Premises and Equipment	71,378,967
Customers' Liability on Acceptances	136,568,081
Accrued Interest and Accounts Receivable	34,303,847
Other Assets	25,153,283
TOTAL	$6,627,517,239

Liabilities and Capital Funds

Demand Deposits		$3,544,811,075
Savings and Other Time Deposits		2,143,535,080
TOTAL DEPOSITS		$5,688,346,155
Funds Borrowed		126,945,099
Reserves for Taxes, Expenses, etc.		38,819,582
Acceptances Outstanding (Net)		139,367,901
Dividend Payable July 1, 1965		6,897,838
Other Liabilities		57,721,148
Reserve for Possible Loan Losses		43,683,397
Reserve for Contingencies		20,961,148
Capital Stock. $12 par (Shares Authorized, 14,200,000; Outstanding, 13,138,739)	$157,664,868	
Surplus	242,355,129	
Undivided Profits	104,754,974	504,774,971
TOTAL		$6,627,517,239

Assets carried at $607,270,442 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

Directors

N. Baxter Jackson, *Chairman of Executive Committee*

Henry Upham Harris, *Partner, Harris, Upham & Co.*

Harold H. Helm, *Chairman*

Robert J. McKim, *Chairman of the Board, Associated Dry Goods Corporation*

Maurice T. Moore, *Partner, Cravath, Swaine & Moore*

Richard K. Paynter, Jr., *Chairman of the Board, New York Life Insurance Company*

Robert G. Gollet, *Real Estate and Investment Management*

Hubert S. Aldrich, *Vice Chairman*

Kenneth E. Black, *President, The Home Insurance Company*

Henry T. Hillman, *President, Pittsburgh Coke & Chemical Company, Pittsburgh, Pa.*

H. I. Romnes, *President American Telephone and Telegraph Company*

Lammot duP. Copeland, *President, E. I. duPont de Nemours & Company, Wilmington, Del.*

William S. Renchard, *President*

Howard W. McCall, Jr., *Vice Chairman*

Harold W. Comfort, *Chairman of Executive Committee, The Borden Company*

Grant Keehn, *President, The Equitable Life Assurance Society of the United States*

J. Irwin Miller, *Chairman of the Board, Cummins Engine Company, Inc. Columbus, Ind.*

George R. Vila, *Chairman and President, United States Rubber Company*

John L. Gibbons, *Chairman of Trust Committee*

Crowdus Baker, *President, Sears, Roebuck and Co., Chicago, Ill.*

Robert C. Tyson, *Chairman, Finance Committee, United States Steel Corporation*

J. Wilson Newman, *Chairman of the Board, Dun & Bradstreet, Inc.*

W. Thomas Rice, *President, Atlantic Coast Line Railroad Company Jacksonville, Fla.*

William P. Marsh, Jr., *President, National Distillers and Chemical Corporation*

Augustus C. Long, *Director and Member Executive Committee, Texaco, Inc.*

Advisory Committee

Frank K. Houston, *Honorary Chairman of the Board*

Joseph A. Bower, *Retired*

Thomas R. Williams, *President, Ichabod T. Williams & Sons, Inc.*

John K. Roosevelt, *Retired*

H. E. Humphreys, Jr., *Vice Chairman of Executive Committee, United States Rubber Company*

Graham H. Anthony, *Chairman of Finance Committee, Veeder-Root, Incorporated, Hartford, Conn.*

Adrian M. Massie, *Consultant to the Bank*

Frederick E. Hasler, *Chairman, Haytian American Sugar Company, S. A.*

James Bruce, *Director—Various Corporations*

B. F. Few, *Trustee and Vice Chairman, The Duke Endowment*

Gilbert H. Perkins, *Consultant to the Bank*

Isaac B. Grainger, *Consultant to the Bank*

Charles H. Kellstadt, *Chairman of the Board of Trustees, Profit Sharing Fund, and Director of Sears, Roebuck and Co., Chicago, Ill.*

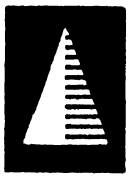
C. W. Nichols, Jr., *Chairman of the Board, Nichols Engineering & Research Corporation*

MAIN OFFICE: 20 Pine Street, New York, N. Y. 10015
LONDON BRANCHES: 10 Moorgate, London, E. C. 2 • 13 Davies Street, London, W. 1
REPRESENTATIVE OFFICES: 12 Place Vendome, Paris 1, France • Edificio Torre Latinoamericana, Mexico 1, D. F.
85 Ayala Ave., Makati, Rizal (Manila), Philippines • Edificio Karam Avenida Urdaneta, Caracas, Venezuela

Member Federal Reserve System • Member Federal Deposit Insurance Corporation
Charter Member New York Clearing House Association

BANKERS TRUST COMPANY NEW YORK

and Subsidiaries



Consolidated Statement of Condition, June 30, 1965
(In Thousands)

ASSETS

Cash and Due from Banks	$1,081,252
U.S. Government Obligations	409,174
State and Municipal Obligations	441,862
Other Securities	73,688
Loans, less allowance for possible loan losses	2,754,528
Bank Premises and Equipment, less depreciation	44,220
Customers' Liability on Acceptances	114,793
Other Assets	50,244
Total Assets	$4,969,761

LIABILITIES

Deposits—Demand	$2,825,450
—Savings	372,090
—Other Time	860,132
—In Foreign Offices	199,336
Total	$4,257,008
Borrowed Funds	60,000
Bank's Liability on Acceptances	117,354
Reserve for Taxes and Accrued Expense	24,630
Dividend Payable July 15, 1965	4,998
Other Liabilities	41,340
Total Liabilities	$4,505,330

CAPITAL ACCOUNTS

Capital Notes 4½% due 1988	$ 94,328
Capital Stock (Par value $10 per share) Authorised 9,727,544 shares Outstanding 9,087,744 shares	90,877
Surplus	200,000
Undivided Profits	70,316
Investment Securities Reserve	8,910
Total Capital Accounts	$464,431
Total Liabilities and Capital	$4,969,761

Assets carried at $340,694 on June 30, 1965 were pledged to secure deposits and for other purposes.

DIRECTORS

LEE S. BICKMORE President, National Biscuit Company
JOHN M. BUDINGER Senior Vice President & Chairman of the Advisory Committee
JOSEPH F. CULLMAN, 3rd President, Philip Morris Incorporated
RICHARD C. DOANE Chairman of the Board, International Paper Company
WALLIS B. DUNCKEL President
KEMPTON DUNN Chairman of the Board, American Brake Shoe Company
PAUL A. GORMAN President, Western Electric Company, Inc.
LEWIS A. LAPHAM Chairman of the Executive Committee
WAYNE C. MARKS Armonk, New York
WALTER A. MARTING President, The Hanna Mining Company
GEORGE G. MONTGOMERY Chairman of the Board, Kern County Land Company
WILLIAM H. MOORE Chairman of the Board
WILLIAM A. MORGAN Senior Vice President
HERMAN C. NOLEN Chairman of the Board, McKesson & Robbins, Incorporated
WILLIAM T. TAYLOR Chairman of the Board, ACF Industries, Incorporated
WALTER N. THAYER President, Whitney Communications Corporation
E. CLINTON TOWL President, Grumman Aircraft Engineering Corporation
THOMAS J. WATSON, JR. Chairman of the Board, International Business Machines Corporation
FRAZAR B. WILDE Chairman of the Board, Connecticut General Life Insurance Company

London Offices
9 QUEEN VICTORIA STREET, E.C.4 34 GROSVENOR SQUARE, W.1

Incorporated with Limited Liability in the U.S.A.

MEMBER OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

important to have a diplomat rather than a soldier representing the United States there.

Military policy—the stepping up of the attack on North Vietnam to whatever extent seems necessary to bring Hanoi to the negotiating table—is now established and reinforcements will be arranged when the Secretary of Defence and Mr Lodge return from their current reconnoitre of South Vietnam. But the American troops and aircraft are technically only coming to help the Saigon government to resist aggression and therefore it is essential that there should be a stable government in South Vietnam. The frequency with which that government has changed has broken all records during the year that General Taylor has been Ambassador, while Mr Lodge showed himself adept and tactful in his handling of Vietnamese politicians of all parties and faiths. Moreover, for the United States to be represented in Saigon by a civilian rather than a soldier adds creditability to President Johnson's interest in the economic redevelopment of the area.

Mr Lodge's appointment has even more political implication in Washington, for he is a Republican—and an influential and popular one. With more men certainly, and more money probably, needed for Vietnam, and with American casualties sure to mount, the already strong Republican pressure for the attacks on North Vietnam to be stepped up more sharply than the President thinks justifiable will become difficult to resist. Mr Lodge will be a useful buffer. For the moment at least, Democratic doubts about the President's policy are being suppressed, mainly because no one has any constructive alternative to offer that is compatible with American promises and prestige. But there may be some debate when the Senate confirms Mr Lodge's appointment.

Power of the Vote

With rare humility, the President acknowledged on Wednesday that there was truth in the Republican charge that he was a "Lyndon-come-lately" in the field of Negro rights. Like many Americans, Mr Johnson said, he had only recently come to realise how urgent was the battle for Negro equality; he did not deny that he might have made mistakes in the past. But now he was determined to lead the search for solutions. There is a storm-signal in the report of the Harris public opinion poll that since November there has been a sharp fall—from 58 per cent to 51 per cent—in the number of Americans who approve the President's support of Negro demands. But, undeterred, he announced that as the new Solicitor General he had chosen a distinguished Negro champion of his race, Judge Thurgood Marshall, and that the Negro voting rights Bill, now passed by both houses of Congress, was not the last legislation which the Administration would seek in the field of equal rights.

The vote in the House of Representatives last week—333 to 85—was as overwhelming an endorsement of the right to vote as the Senate gave to substantially the same measure in May. On this issue twenty-three Southerners felt that they could not, in good conscience, oppose the President. Conscience may have been fortified by an impressive rise, during the past year, in the number of Negroes already registered to vote in the southern states. They now number 2.2 million, about 44 per cent of those of voting age. The proportion is sharply lower in Mississippi, Louisiana and Alabama, the states where the federal registrars authorised by the Bills before Congress will meet their greatest challenge. But even these states have hurried to make their registration requirements fairer in the desperate hope of staving off federal intervention.

What prompted the Republican attack on the President was his cutting reference to the substitute measure which they had offered; he said that it would have "damaged and diluted" the guarantee of equal voting rights. Certainly it would have delayed it, if only because the Republican Bill differed so greatly from the measure passed by the Senate. Partly for this very reason segregationist Southerners embraced a measure which they found obnoxious. But by doing so they made certain of killing it; a number of northern and urban Republicans took fright at the company they found themselves in. As things now stand the conferees of the House and Senate will have little trouble in reconciling the two versions—particularly now that the President has stolen Senator Edward Kennedy's liberal clothing by endorsing the House's repeal of the poll tax, which is still a condition of voting in state and local elections in four southern states, including the President's state of Texas.

Medicare At Last

If President Johnson's flagging spirits were not sufficiently buoyed by the success of his voting rights Bill last week, the Senate's approval of his cherished measure providing health services for old people should have done the trick. With the final enactment of Medicare, as it is called, waiting only for a conference committee from the Senate and the House of Representatives to iron out minor differences between their two versions of the Bill (the House passed it in April), Mr Johnson can count himself sure of a place beside his idol, Franklin Roosevelt. For Medicare, bringing to a close the nightmare which medical costs have meant for elderly Americans, is the most dramatic advance in public welfare since Roosevelt launched the social security programme in 1935. The Bill does not stop with health. It expands the social security system in many directions—chiefly by increasing by seven per cent the value of the pensions going to about 20 million retired workers; it also enlarges the scope of assistance to the disabled, to widows and to children.

The Senate's version was slightly more generous than that passed by the House and more expensive: its provisions would cost $7.5 billion in the first year while the House plan would need a more modest $6 billion. The conferees will probably find a middle ground. The funds are to be raised largely through an increase in the social security tax based on wages, with employees and employers paying equal shares. At most the new taxes will cost a man earning $6,600 a year $275 next year (in contrast to the $174 which he pays in social security tax now). And, under the graduated increases envisioned in the Bill, he could be paying as much as $380 a year by 1987.

Interestingly enough, more than half of the increases will be taken up by the expanded social security programme. An expensive amendment added by the Senate will, if it survives the conference, raise to $1,800 from $1,200 the amount a retired worker may earn without having his pension pared. On the medical care front, there will be no means test; an attempt to introduce one was successfully beaten back. As the Bill stands, people reaching the

The E.I.U. Announces:

The Economist Intelligence Unit Ltd. of London and ELRICK and LAVIDGE Inc. of CHICAGO and ELRICK and LAVIDGE Inc. of SAN FRANCISCO have affiliated to offer a comprehensive market research and marketing consultancy service in the USA as well as in most other countries.

Details from:

The Economist Intelligence Unit
Spencer House, 27 St James's Place
London SW1

Elrick & Lavidge Inc.
20 N Wacker Drive Chicago
Illinois 60606

Lincoln Building, 60 East 42nd Street NY
New York 10017

650 California Street
San Francisco California 94108

age of 65 will automatically become eligible for at least 60 days in hospital, free of charge except for the first $40 (the approximate cost of a single day in hospital) which they must pay themselves. Moreover, they will be entitled to 100 or more (the Senate hoped for 175) free visits, either to out-patient clinics or at home from nurses or medical personnel. The Bill, recognising that doctors' fees alone can drain the resources of the elderly, includes a voluntary insurance scheme under which old people, for $3 a month, can have four-fifths of these costs paid for them. Their contributions would be matched with equal sums from the federal Treasury. None of this long overdue assistance will start before next July. But those on pensions can at least look forward to bonus cheques arriving in the post soon, for the pension increases were made retroactive to January.

Best Foot Forward

WHEN there is a pressing vacancy at the White House Mr William Moyers has a way of filling it; he did so when Mr Walter Jenkins had to resign. Now that Mr George Reedy, the President's press secretary, has had to go on an extended leave of absence for medical reasons, this young and talented Texan has taken on the task of speaking for the President. There does not seem to have been much competition for it. Though Mr Johnson's relations with the press reached a new low last week, no one suggests that Mr Reedy was pushed out. But the choice of Mr Moyers shows that the President, though impatient of criticism, does not ignore it. Probably he was shocked by the spate of critical appraisals published last week. Mr Moyers's most delicate job will be to limit the President's unsatisfactory contacts with selected journalists. His strength is that the President trusts him, that he knows what is going on (he has been drafting next year's legislative programme) and that he is less in awe of Mr Johnson than most people.

Reedy going: Moyers coming

One of the new press secretary's first jobs was to explain another appointment: the choice of Mr Leonard Marks, a Washington lawyer, to head the United States Information Service. Mr Marks has long been interested in communications—he has represented the United States with ability at international communications conferences and was an original member of the board of directors of the Communications Satellite Corporation—and in educational television. But a point which Mr Moyers stressed was the President's anxiety for "continued sound administration" for the USIA. Mr Rowan, whom Mr Marks replaces, had been restive for some time and other top jobs at the agency are vacant, partly because of differences over the extent to which the USIA should lend itself to propaganda.

Mr Rowan's return to journalism costs the Administration its highest-ranking Negro. But it has been easier to recruit others—one for the President's own staff—than to replace the two women who are leaving—Mrs Mary Bunting and Dr Leona Baumgartner. The number of other changes which have been announced recently suggests that the search for qualified replacements which has been going on has begun to bear fruit. A shift about which there has been renewed speculation concerns the Secretary of State. But President Johnson has quashed such speculation with exceptional sharpness and a remarkable tribute to Mr Rusk, the man "who comes first with me."

Policing the Police

NEW YORK

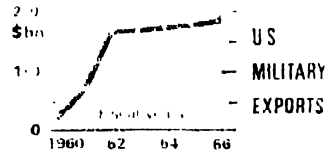
THE prospect of having an independent review board to consider complaints of police brutality represents very different things to New Yorkers and this week's public hearings on it were one long shouting match. Most members of the city's 27,000-strong police force believe that it would hamstring them and would constitute an open invitation to criminals (particularly young ones) to flout the law. To civil rights groups, on the other hand, a review board is the first step toward softening the animosity which has flared up between the city's two large minority groups (1.1 million Negroes and 700,000 Puerto Ricans) and the law enforcement authorities. To each of the political candidates hoping to run for Mayor, the board is fast becoming a crucial issue in the campaign.

Members of the police force are so bitterly opposed to the idea that recently policemen who were off duty picketed City Hall. They were encouraged by white suburbanites who think that crime in New York is largely racial in character and who fear that it will be impossible to check unless the police are given even greater leeway in their handling of criminals. Opponents of the scheme point out that there is already a three-man board to review charges of brutality. But it operates under the jurisdiction of the police. On the other side, the slum areas are inhabited largely by Negroes and Puerto Ricans and most of them, law-abiding citizens and criminals alike, fear the police and view the law as "the enemy." The police pickets were themselves picketed by a group of Negroes; their verbal exchanges had racial overtones. Now there are demands for an investigation of racism within the police department.

Caught in the middle of all this is the new police commissioner, Mr Vincent Broderick. Like all his predecessors, he has come out against an independent review board. In truth he has little choice if he is to keep the allegiance and the loyalty of his men. But he is also aware that their experiences have prejudiced many policemen against Negroes and Puerto Ricans and that in their view there is an undeclared war going on, with the slum residents on one side, the police (and powerful whites) on the other. The commissioner has tried to convince the city's officials that morale and efficiency could best be improved by leaving control and responsibility in his and the police department's hands. It is recognised that better men will have to be recruited and that many members of the present force will have to be re-educated.

The problem is that, while in theory his solution might work, time (and the times) are against him. In Rochester and in Philadelphia moves have already been made to allay racial tension by setting up independent review boards; in the short period during which they have been in existence law enforcement has not disintegrated. What is more important is that in New York the civil rights groups are well organised and enjoy considerable support in the community. Finally, with an election coming up in the autumn which might be decided by the votes of Negroes and Puerto Ricans, all the candidates for Mayor, with the exception of the Conservatives' Mr William Buckley, have come out with one plan or another for an independent review board.

Merchants of Death—New Style



WASHINGTON, DC

LIKE Britain, the United States habitually runs a deficit on its external payments for defence and tries to reduce it by selling military equipment to its allies. The government's military sales effort of the past three years has been one of the successes of Mr McNamara as Secretary of Defence. To promote arms exports, while at the same time guiding and controlling them as general policy requires, he maintains a staff of twenty-seven civilian officers to handle what are called "international logistics negotiations." The campaign was opened in 1961 in the obvious place, Germany, and by 1964 the government's net adverse balance of foreign payments on defence account had been reduced from $2.8 billion to $1.6 billion.

Balance-of-payments reasons are now usually put first among the motives for the effort to export arms, but they are not the only ones. The United States exported $22 billion worth of military equipment on government account in the decade of the nineteen-fifties; $17 billion of it was military aid, paid for out of the United States Budget. The purpose was to promote the effective strength of the free world's alliance by helping other members to equip their forces better. To some extent military aid was also used as a device to standardise equipment, and to promote common logistics, between the allied countries.

These motives persist today. They tend to gain force as equipment becomes more complex and as one country after another (Britain being the latest) has to recognise the economic impossibility of producing a complete range of defence equipment for its own use. Naturally it is convenient for the American defence planners if the allies choose American equipment to standardise on. With the winding-up of American aid to the European allies as they got into a position to pay for their own requirements, the flow of arms from America to Europe was largely choked off. In some categories, joint schemes for the production of American equipment in Europe were started to keep up the momentum of standardisation. The United States has also begun joint development projects with European governments. Thus it has co-operated with Britain on vertical take-off and landing for aircraft and with west Germany on the battle tank project.

A field remains, however (and probably a widening one), in which separate national production, even of a jointly-developed piece of equipment, would be hopelessly uneconomic for any ally except the biggest buyer of all, the United States. This is the field in which Mr McNamara's international logistics team will look for its future export openings. It might extend to between a sixth and a quarter of the requirements of the developed allies for military equipment. Thus, if Scandinavia, North Atlantic Treaty members, Japan, Australia, New Zealand and Canada are likely to spend between $55 billion and $70 billion in the ten years 1962 to 1971, the team reckons that something between $10 billion and $15 billion of this, taking the ten years together, will be spent in America.

Mainly because of the cost of maintaining American forces and installations on British soil, Britain has run a surplus regularly in its defence account with the United States. But this is now changing with the substitution of orders from America for cancelled British designs for aircraft and other advanced equipment—the purchase by Britain of the F4 Phantom fighter and fighter-bomber and the Lockheed C130 Hercules transport aircraft, together with an option on the F111 to take the place of the cancelled TSR2. Although long-term credits are to be provided, the mere scale of these purchases or prospective purchases raised questions of how the impact on the British balance of payments could be mitigated, in any or all of three possible ways:

1. Incorporating British equipment in the aircraft to be built for British use
2. Getting such British equipment incorporated in American aircraft whether for British use or not;
3. Finding British defence products—not only components, that might be bought economically by the United States

What was agreed has not been published. That any firm promises were made for any specific volume of procurement in Britain (much less for complete reciprocity) is denied. The position appears to be that the Americans undertook to be as helpful as they could. Without much doubt, under the first of the three headings a great deal can be done to reduce the dollar content of the British orders of American aircraft. Aero engines are the most obvious opportunity, but there are many other possible items. A trial effort began in February with the Phantom, whose prime contractor now has 106 British companies bidding for the supply of components.

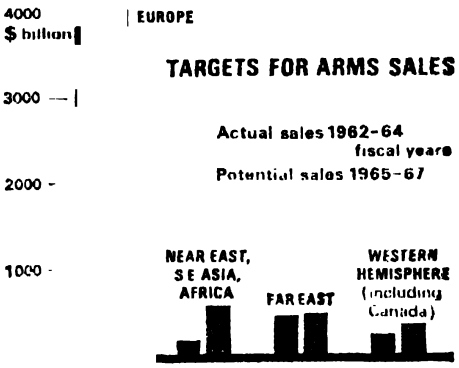
Under the second heading, the 2,000 or so F4 Phantoms already manufactured have all been fitted with (British) Martin-Baker ejector seats, under the clause in the Buy American regulations which permits foreign procurement of an article for which no suitable American-built equivalent is available. (Those regulations can be relaxed, or tightened, by the Administration as it thinks necessary or useful.) In general, the chances of an overspill of British components from a British order into the main production series is diminished by the fact that the British order itself is unlikely to come until the project has already reached middle age. But there are possibilities, not seldom in advanced technological fields.

American orders for British ships offer opportunities under the third heading. This idea first floated to the surface in Anglo-American talks in the spring. Evidently it is a question of supply ships for the United States Navy, perhaps a dozen or two dozen, not primarily fighting ships but sufficiently elaborate for various technical questions to arise. After making sure that the British press paid attention to the subject the Department of Defence has become silent about it, no doubt because the inevitable wave of protests started to come in from indignant American shipbuilders and their congressional representatives.

Ships seemed an obvious product in which Britain could hope to compare favourably with American performance both in quality and price. A small British government mission is expected in Washington this month to discuss details with the United States Navy. Should the British industry complain that matters affecting its trading interests are being treated as the preserve of government officials, they will be in exactly the same boat as the American defence firms which grumble when they see Mr McNamara's team handling their business for them.

Ships, unlike other vehicles and unlike missiles or avionic systems, are things for which it is possible to place a prime contract for a single unit. Other prime contracts tend to be very large programmes, and sensitive ones, and it is unrealistic to expect them to be placed in foreign countries. But a study recently made of eighteen of them showed that the prime contractors themselves were directly contributing only 30 per cent of the value: the remainder came from 50,000 suppliers. It seems practicable, while keeping the prime contracts national, to open to allied countries the market for the components or at least for some of them.

It was something of this kind that Mr McNamara had in mind when, on his visit to Europe at the end of May, he talked of "a common market" in defence equipment. This virtually exists already between the United States and Canada and the Administration has the power, by varying the regulations under the ancient Buy American Act, to open it to the European allies (and to Japan) if it chooses to do so—and if it can expect orders in return.



Chase National Again?

THE Chase Manhattan Bank said this week that in September it will ask its shareholders to let it renounce its state charter and reinstate the national one held by one of its constituent parts—the Chase National—before it merged with the Bank of Manhattan Company in 1955. It will also have to obtain the approval of Mr Saxon, the Comptroller of the Currency, the federal official chartering national banks, as well. The Chase is the largest state-chartered bank in the country (as well as the third largest of any description) and its move is a tribute to Mr Saxon, who has brought a gale of fresh air into the regulation of banks. The move is even more a painful slap at the State Legislatures, particularly that of New York, which have ended this year's sessions without giving their banks greater freedom and at least some of the privileges won by national banks during Mr Saxon's four-year tenure of office. Other state banks may follow the Chase's example.

Mr Saxon is still being grilled by Congress for his enthusiasm for modernising bank regulations to maximise competition. On occasion this has brought him into sharp conflict with the two other federal authorities which supervise banks—the Federal Reserve Board which regulates on behalf of the federal government state banks that are members of the Federal Reserve System and the Federal Deposit Insurance Corporation. Some months ago there was a move to end such conflicts, perhaps by creating a single federal agency to deal with banks. But last week the Administration turned thumbs down on any drastic reorganisation, at least at present. Instead the Secretary of the Treasury, Mr Fowler, announced that a new co ordinating committee had been created, to include the Comptroller of the Currency, the chairmen of the Federal Reserve Board and of the FDIC and the head of the Federal Home Loan Bank Board, which supervises savings and loan associations. Quarterly meetings will be held so that differences can be threshed out face to face—though this is no guarantee of agreement.

Where the Administration is now split most openly is over bank mergers. There is a pretty example in St Louis, where Mr Saxon recently gave permission for a take-over, only to have the Department of Justice (with support from the central bank) apply to the courts for an injunction against the merger on the grounds that it would reduce competition significantly. Normally the government's view would be presented by the Department of Justice but Mr Saxon has just obtained the unprecedented permission of the court to present his opposing views. The application of the anti-trust laws to bank combinations dates only from a Supreme Court decision in 1963. The Senate voted last month to deprive the Department of Justice of power to undo bank mergers consummated in the past, including five cases now before the courts. But in the House of Representatives, Mr Patman, the chairman of the Banking Committee, and no great friend of big banks or of mergers, is in no hurry to take action.

Baker Packed Up

LIKE something by Beethoven, the Bobby Baker case keeps reaching the finale only to go back for more. Even the second final report of the Senate Rules Committee is not the last word. A federal grand jury has been looking into the deep question of how Mr Baker, one-time secretary to the Democrats in the Senate and one-time friend of President Johnson, amassed $2 million on an annual salary of $20,000. When the jury reports, as it must within nine months, Mr Baker may be back in the news. The Senate Rules Committee urged strongly that some indictment be considered, for Mr Baker seemed to have used his influential post (which he resigned in October, 1963) to feather his own nest, possibly violating federal laws against conflict of interest.

Senator Jordan, Reluctant Dragon

The naming of six Senators to a committee to police the conduct of Senators and their employees has been the only really tangible result of the investigation of the past eighteen months. The Rules Committee did not enjoy its job: the chairman, Senator Jordan, found it "a hard and a disagreeable task." (The Committee did issue a report a year ago, but the Senate refused to accept it and sent the investigators back to try again.) Naturally, even the revised version does not please the Republican minority on the committee. They have accused the Democratic members of whitewashing whatever embarrassed them and the President in particular by their exoneration of his aide, Mr Walter Jenkins, and one of the party's well-known fund raisers, Mr McCloskey. The liberal Democrat on the Committee, Senator Clark of Pennsylvania, is not satisfied, either. He wanted fewer loopholes in the reforms half-heartedly urged by the Committee, requiring Senators and their employees to disclose their financial holdings. The dying embers of the Baker case did produce one glow—the release of the testimony of "Mrs A," a Washington call girl who admitted having shared her favours with "persons in the executive, legislative and judicial branches of the Government." But even this turned out to be misleading; none of her clients, the revelations continued, were in the Baker orbit.

SHORTER NOTES

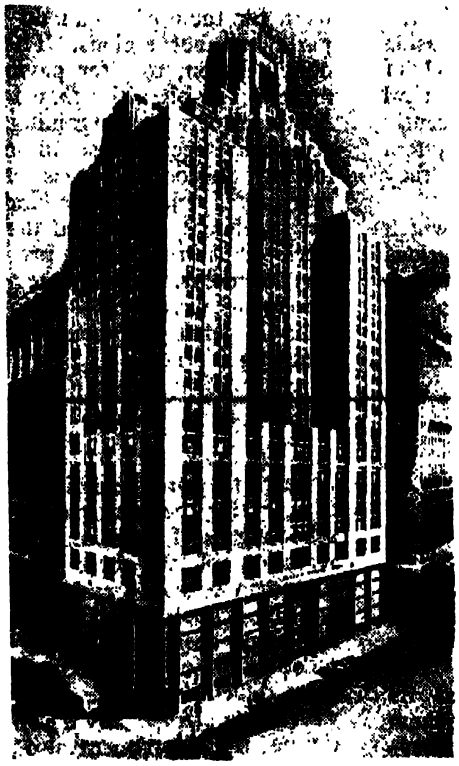
Sentences of six months in prison—the maximum permissible—have been imposed on seven young people convicted of unlawful entry after they forced their way into the White House and sat there for seven hours during a civil rights demonstration. These are the heaviest penalties ever handed out to such demonstrators and an appeal against them has been lodged. On the Pacific coast 632 young people have been convicted of trespassing—and most of them of resisting arrest as well—as a result of their sit-in at the University of California at Berkeley last December during a demonstration for free speech. Sentences, which are to be handed down next week, may be as heavy as eighteen months in prison, in addition to a large fine.

For the first time an advertising agency has been fined for fraudulent promotion. A federal judge put the fine at $50,000. The product was Regimen, which was advertised as an effective aid to slimming. The Drug Research Corporation, which made it, has also been fined and its president has been sentenced to gaol. All three defendants are appealing against the sentences.

The long-standing dispute between the tax authorities and Mr Adam Clayton Powell, the able, wealthy and gaudy Negro Representative from Harlem, has been settled at last for $27,833. This covers his tax liabilities from 1949 to 1955. Originally the Internal Revenue Service demanded heavy penalties for fraud, but in 1960 a federal court dismissed charges of tax evasion brought against Mr Powell. He was merely negligent.

A REPORT FROM PHILADELPHIA NATIONAL

"The Cash-Letter Bank" *



STATEMENT OF CONDITION

JUNE 30, 1965

RESOURCES		
Cash and Due from Banks		$ 326,526,235.36
U. S. Government Securities		138,760,961.17
U. S. Government Agency Securities		16,564,192.49
State and Municipal Securities		90,534,453.77
Other Securities		11,404,001.00
Loans and Discounts		756,436,809.71
Federal Funds Sold		35,450,000.00
Direct Lease Financing		3,836,532.48
Bank Buildings and Leasehold Improvements		13,443,380.36
Customers' Liability Account of Acceptances		31,619,711.17
Other Resources		12,964,862.85
		$1,437,541,140.36
LIABILITIES		
Deposits		$1,221,923,863.25
Federal Funds Purchased		13,400,000.00
Notes Payable		11,000,000.00
Acceptances	$36,057,171.58	
Less: Amount Held in Portfolio	4,156,517.80	31,900,653.78
Reserve for Taxes		4,763,013.65
Reserve for Dividend (Payable July 1, 1965)		1,456,296.88
Other Liabilities		15,909,078.38
		$1,300,352,905.94
Valuation Reserves:		
For Loans	$27,178,900.25	
For Securities	2,159,883.79	29,338,784.04
Capital Funds:		
Capital Stock ($10 Par Value)	$26,478,125.00	
Surplus	63,521,875.00	
Undivided Profits	17,849,450.38	107,849,450.38
		$1,437,541,140.36

FREDERIC A. POTTS, Chairman of the Board

FREDERICK HELDRING, Vice President and Manager, International Division

* A service for the collection of your checks on the United States—sent on a **cash-letter** basis. These are checks you send for immediate credit and notification, as a group (in one envelope), rather than for individual credit after collection of each separate item.

PNB—"The Cash-Letter Bank" offers you the finest service anywhere in the United States.

For details, write for brochure.

PNB

Member Federal Deposit Insurance Corporation

INTERNATIONAL DIVISION

THE PHILADELPHIA NATIONAL BANK

Philadelphia International Investment Corp., Philadelphia, Pa. USA

New York City Office • 1 Chase Manhattan Plaza

Capital and Surplus $90,000,000 • Organized 1803 • Cable Address: "Philabank"

Associated with Arbuthnot Latham & Co., Ltd., London—*Merchant Bankers*

BRITAIN

Going Too Slow

COMMUTERS from the south-east of London have been very angry this week. Some drivers of some trains have been not so much going slow, nor working to rule, but "refusing co-operation"—which, on one of the busiest sections of railway in the world, has meant some spectacular delays. The commuters should reserve some of their abundant anger for the national wage-bargaining system which is as much to blame as the non-co-operating drivers.

This labour dispute has been dragging on for over a year between the British Railways Board and the Associated Society of Locomotive Engineers and Firemen. In May the executive of the union recommended their conference to approve negotiations with the board on a package deal which included bonus payments based on mileage covered and a revision of the 1957 agreement on the single manning of locomotives. The conference rejected this proposal and told the executive to seek a bonus without conditions. The railways board, quite rightly, insists that the bonus must be conditional on the men's acceptance of specific measures to increase productivity. Meanwhile, the drivers, fed up with both employers and union, have started to act (or rather not to act) on their own.

Their union has, in general, not done badly over the last year: it obtained with the National Union of Railwaymen a 9 per cent rise in straight wages last December and both unions have submitted a further increase, which is now being discussed. But these particular locomotive men work on a roster system which prevents them from notching up large amounts of overtime: and the shortness of the runs does not permit them to gain much in bonuses. However willing to work they may be their earnings are not likely to exceed by much their basic wages. Furthermore, the measures to increase productivity proposed by the railways board have less relevance to their region than to some others. Most of their trains are already single-manned passenger trains running over comparatively short distances. The board insists on tying the new pay increases to agreement by the union to extend the single manning of freight trains to those which do not have vacuum brakes and to eliminate the mileage limit. The Southern commuter trains are quite unaffected by this.

Other proposals for efficiency apply to them as much as to anyone else, but since their schedule is tighter and they carry more passengers than most other lines their drivers say that already they are increasing productivity. Not too far in the back of their minds is another thought: the rival National Union of Railwaymen has recently succeeded in obtaining for guards a system of mileage payments. Drivers feel they should be paid more than guards.

The fault lies with a system which differentiates inadequately between various parts of the country; and which only produces a decent wage for those who can arrange to work at odd hours that happen to qualify for overtime rates. The Southern region locomotive men probably do more work for their pay than do their counterparts in other regions. There is an economic reason, too, for paying railwaymen more in the big cities than in the country. A system of wage bargaining that prevents economic wage increases in one place, while forcing uneconomic ones elsewhere, and that causes delays of the kind that have so understandably infuriated the locomen this week—thus in their turn provoking another sort of delay, and another sort of fury among the passengers—is ripe for revision. This is what the computers should be lobbying for now.

SCHOOLS

Unselective Choice

THE great argument about what sort of education Britain should have for the future moved on one notch this week. The Department of Education published its circular to local authorities, instructing them to prepare within a year their plans for moving towards reorganisation of their secondary schools, and away from the unpopular and unsatisfactory system whereby children have been allocated to one sort of school or another in accordance with the results of a single examination taken in their eleventh year. There have been so many leaks, counter-leaks, arguments and accusations about what this circular would contain that it now looks a rather matter-of-fact, uncontroversial document. It should certainly help along the one-third of local education authorities in the country that have not yet made a start on reorganisation.

The real difficulties, in fact, now start to appear: they are the difficulties not so much of accepting the principle of comprehensive schooling as of combining with it the preservation of the best traditions of the grammar schools; and the difficulties of housing schools of a non-selective kind in buildings designed for smaller, selective schools. The circular does not try to resolve these difficulties: indeed it describes them, with some clarity. By a convenient bit of timing, the department also made it plain this week that its general bias in favour of comprehensive schooling is not going to lead it to approve any half-baked scheme passing under this name: it threw out all but a small part of the scheme proposed by the Labour council in Liverpool for the city's schools, insisting that a great deal more building work must be completed before the principle can be accepted.

Mr Crosland: from theory to practice

Public Dilemma

THE Government's decision to push ahead with schemes for comprehensive education may, paradoxically, do something to increase the private sector of education. The "direct grant" schools that at present co-operate with the state system while remaining formally outside it will be asked to fit themselves into the new pattern set up by the local education authorities. A certain number of them are likely to refuse, and to try to carry on in independence with fee-paying pupils (and perhaps with money from ideologically committed former pupils). But last weekend Mr Prentice, the Minister of State responsible for schools, spoke to a

group including many people influential in the private sector of education: he kept discreetly mum about what the Government intends to do about it, save for the usual platitudes about respecting the parents' right to choose their children's schools.

The brightest private school people, meanwhile, are starting to realise that governmental inaction is the worst thing that could happen to them now. An outright attack on the private schools would give them a splendid moral cause to argue (they are good at that). But what they would like best would be for the Government to reserve a certain quota of their places for pupils from state schools—and for the state to pay for them. This would make them look democratic, but not upset their traditional vocation of training an elite. In support of this partial democratisation of their intake, coupled with preservation of their function, one headmaster is reported to have denounced the idea that education should be used as a tool of social change.

Equally, the private schools' critics argue that education should not be used as a buttress of social privilege. On this front they are increasingly sensitive, as the charge comes to look more and more plausible.

As schools in the state system start to look better, and as the tax concessions which enable private school fees to be paid otherwise than out of parents' income are whittled away (a process that this year's finance bill may have started, until the accountants find new ways to evade its provisions), the private schools may find themselves under two sorts of increased pressure—financially, on the extent to which they can go on raising their fees, and from public opinion on the educational privileges that private education can confer. There is no reason why a Labour government should show willing to bail them out—until the time comes, if it ever does, when it is the Government, not the schools, that can lay down the conditions.

HOUSING

What Is Wanted

THE Rowntree studies are the only systematic and independent housing surveys that cast light on the effects of government policies. For all their limitations, they have provided hungry generalisers with much welcome nourishment. It is partly because of this that the latest and final study* has less of the pioneering air about it. By comparing data collected from a sample covering the whole of England in 1962 with some of the earlier Rowntree material, some interesting points are emphasised—for instance the average council house rent rose more steeply than private rents in the period 1959-1962 and remained higher than decontrolled rents. But there are obvious dangers in generalisation from a small scale survey in a field so varied in its detail as housing.

The broader generalisations—that council house tenants are not necessarily any poorer than owner occupiers, that young couples have to pay more for worse accommodation than older people, that council houses are most intensively used and owner-occupied houses least—are already familiar. Nevertheless some generalisations are always more bandied about than others, and it is useful to be reminded, for example, that something like £100 million of rent is paid every year, to both local authority and private tenants, by the National Assistance Board.

The most interesting part of this survey, and the one which, as the author rightly says, is deserving of much more large scale and accurate investigation, is the examination of households who have recently moved, or who would like to move. Out of the sample of 3,000 households, the annual proportion moving house was 8 per cent; and 32 per cent had at least a vague inclination to move, half of these having taken active steps about it. As might be expected, tenants of private unfurnished accommodation were at least content and least able to find anything better that they could afford. Half of all potential movers expressed a preference for rented accommodation, a finding which supports a suggestion in the Milner Holland report that at least some of the growth in owner occupation is involuntary.

Since the only other statistics available on the price and mortgage arrangements for people buying their houses come from the building societies, it is interesting to learn that in a sample of 200 recent movers and even in a further group of 445 households buying new houses, one fifth had bought their houses outright. Of all the owner occupiers surveyed, 47 per cent had no outstanding mortgage repayments at all. Only 12 per cent of the new houses (in 1962) had cost £3,500 or over; a quarter of the recent movers paid less than £1,500, nearly all for old houses.

The median deposit paid for mortgages on new houses was £410, and the median monthly repayment £13. Would-be buyers varied widely in the deposit they could afford. Surprisingly, nearly 30 per cent said they could buy outright. But those who did not own a house already could seldom put down much. The highest deposit that the house-owner could afford was nearly twice what the non-owner could afford (the median maximum deposit in the two groups was £910 for owner-occupiers, £480 for others). For both groups the median monthly payment that could be afforded was £13—the actual amount being paid by others. If figures like this are anything to go by, one wonders whether lump-sum grants rather than tax-based subsidies might be the right way to boost house-ownership.

* English Housing Trends. By J. B. Cullingworth. *Bell.* 135 pages. 10s. 6d.

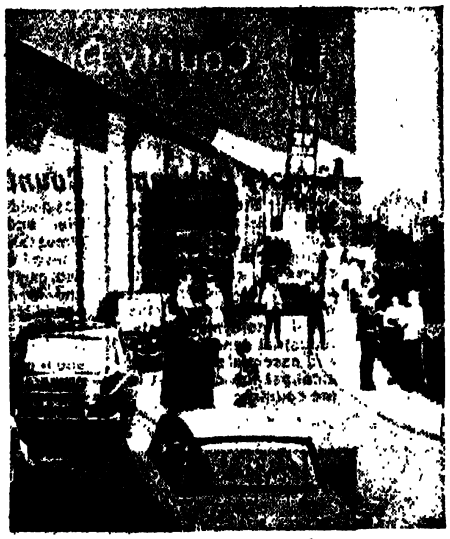
CRIME AND PUNISHMENT

Third Reading

THIS week Mr Silverman's bill abolishing capital punishment received its third reading in the House of Commons. Last week one of the train robbers, sentenced to thirty years of imprisonment in April, 1964, escaped from prison with three others regarded as special security risks.

Thus, the last-ditch attempts in the Commons to replace the Home Secretary's discretion over the term of imprisonment a murderer should serve by the discretion of the court were made in the knowledge that a man sentenced to imprisonment for a term far longer than he would be likely to serve for murder had escaped. What, in fact, are the implications of the escape in the context of punishment for murder?

One retentionist argued that the whole bill was an irresponsible mistake because it has now been shown that no prison can hold a really determined man, at least if he has accomplices outside equally determined to release him. But the real relevance of the Wandsworth gaol-break to the arguments that have wearily gone back and forth in the past months over the alternative to capital punishment is that a long determinate sentence is an encouragement to escape. A thirty-year sentence means that, with remission, a man still serves twenty years. Would not a murderer, told that he would be in prison for this period, try to escape rather than to stick it out? The indeterminate life sentence, on the other hand, allows him to hope that good behaviour will lead to his release on licence while liberty still has something to offer him. When the abolition bill is considered in the Lords—the second reading will be taken next Monday—they should think twice before trying to reverse the Commons' determination to keep a "life" sentence a matter for the Home Secretary's discretion.



Stone walls do not a prison make

the crisis of India

Ronald Segal

'By the vitality of its [illegible], its sympathy not only with the [illegible] masses but with its bewildered politicians, and by the scope of its treatment, the book is an event in the literature about modern India.'
Guy Wint *Observer*

'Mr Segal has dealt honestly and perceptively with the India we seldom meet. His chapters on religion and custom reach the matter.'
Kingsley Martin *Sunday Times*

'an event in the literature about modern India...'

[illegible] India's poverty [illegible] of flames. Ronald Segal's report [illegible] of the older generation and the [illegible] brilliant... Mr Segal's book [illegible] people in India. It is written [illegible] sympathy and [illegible] of the subject [illegible]'
Times Indian Guardian

published by Jonathan Cape 4
Penguin Books 5s

SUBSCRIPTIONS TO THE ECONOMIST

Annual Postal Subscription by ordinary mail, UK £6 ; overseas £6 10s.

By air see below

Subscriptions to many countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

	Airmail	Air Freight		Airmail	Air Freight
Australia	£13 10s	—	Iran & Iraq	£11 0s	£9 10s.
Canada —			Israel	£11 0s	—
Quebec & Ont Provs	£12 10s or Can $38	£9 15s or Can $30	Japan	£13 10s	—
Other Provs	£12 10s or Can $38	£10 10s or Can $31 80	Jordan	£11 0s	—
Ceylon	£12 10s	£10 0s	Lebanon	£11 0s	—
China	£13 10s	—	Malaya	£12 10s	—
East Africa	£12 10s	£10 0s	N Zealand	£13 10s	—
Egypt	£11 0s	—	Nigeria	£12 10s	£9 10s
Europe	£10 0s	—	Pakistan	£12 10s	—
Ghana	£12 10s	£9 10s	Philippines	£13 10s	—
Gibraltar, Malta	£7 5s.	—	Rhodesia	£12 10s	—
Hongkong	—	£12 10s	S Africa	£12 10s	£10 0s
India	£12 10s	£10 0s	Sth & Cen America	£12 10s	—
Indonesia	£12 10s.	—	Sudan	£11 0s	£9 10s
			U S A	£12 10s or $35	£10 10s or $29 50
			W. Indies	£12 10s	—

County Durham

BRITAINS fastest-growing industrial area

an area with great industrial traditions
an area offering great opportunities to modern industry

County Durham provides the widest range of financial assistance for industrial development; loans from the County Council and the full benefits of Government grants and loans under the Local Employment Acts. Industrial land is cheap and essential services are amongst the cheapest in the country.

County Durham has a wide range of industrial sites suitable for almost all kinds of industry. These include sites in the two existing New Towns and in one further proposed New Town. Special sites to meet particular requirements can be found and the County Council is prepared to assist in the provision of any essential services.

County Durham astride all the main east coast routes, has excellent communications with, and is strategically situated in relation to, all the major industrial centres of Great Britain and the Continent; two regional airports, three major ports, fast main line rail services and a motorway now under construction.

County Durham has a growing population; large adaptable labour force with considerable experience of shift work, a plentiful supply of boys and girls leaving school and good training facilities of all levels. Housing for keyworkers and staff is readily available in all areas, including the New Towns.

County Durham has space for uncongested living, space for recreation and facilities for a wide range of cultural activities. Beautiful upland scenery, quiet agricultural villages, historic buildings and with three National Parks within easy travelling distance Durham is a good place in which to live and work.

WRITE TODAY for details to County Planning Officer, County Hall, Durham Telephone 4411

BOOKS

The Making of Theodore White

The Making of the President, 1964

By Theodore H. White.

Atheneum Publishers, New York. 446 pages. $6.95. (To be published in Britain in the autumn by *Cape* at 42s.)

"My God," said a reporter listening to Senator Goldwater's acceptance speech at San Francisco last year, "he's going to run as Barry Goldwater." And so he did. No wonder the camp-followers of the presidential campaign felt they were living through a dream. A lovable man with no great notion of himself, Mr Goldwater had allowed his sights to be raised as high as the Republican nomination, but with that his ambitions were, to all appearance, exhausted. Virtually no attempt was made to mount a campaign capable of marshalling the collected energies even of the Republican party, or seriously aimed at winning power.

Obviously this bizarre development faced Mr Theodore White with a sticky problem. A seasoned journalist and author of three fleetingly successful earlier books, Mr White conceived towards the end of the nineteen-fifties a design that assures him, as now seems probable, of a durable place in the history of political journalism: he would devote a full-size book to each of five American presidential campaigns, from 1960 to 1980. It took the contenders in 1960 a little time to get accustomed to the idea of a campaign reporter as ever-present and as dogged as any, only with no story to file; but Mr White was tenacious and emerged at the end with a rich and detailed picture. This picture of an election in the round was not merely invaluable to the professionals; it responded to a fairly widespread public feeling that the Kennedy campaign was a special kind of event. Mr White's 1960 book was different from the books on current American politics that are always coming out. It had tension, drama, and narrative power, and it became a huge best-seller.

Mr White developed, in the course of that campaign, into a convinced Kennedy man (which he still is); his 1960 book gained excitement from that conviction. He has not become a Johnson man. His assessment of President Johnson is perceptive, exact and not without sympathy, but it is made from a position of detachment. In any event, whether one feels committed to Mr Johnson as leader or not, it is evident that he is not a new-style politician but a masterly old-style one and to represent the campaign of 1964 as a break-through in any direction would hardly be serious. How, then, to build a book around it that sustains the momentum of the first? Mr White makes a gallant attempt to concentrate on the fundamentalism of the Johnson-Goldwater dialogue—"a political discussion," he says, "never before held in any country: What is man's relationship to, and responsibility for, his fellow men?" But he must be well aware that, though the postulates of such a discussion were indeed adumbrated at the outset, the discussion itself never took place.

Still, his book does sustain the momentum. If in reading it one is nagged by doubt, it is not about the excellence of the drama but about the adequacy of the event to its chronicler: would not a duller book, or at any rate a less excited one, have been more apt? Almost as if feeling himself that he must seek his drama elsewhere, Mr White allowed the campaign to draw him aside into the discovery of some aspects of American society that had been there, for those who cared to see them, long enough. Thus he discovers the primitive, hate-ridden character of society in the Deep South and the inability of the big northern cities to cope with their social and racial disorders. If he shows more capacity to sympathise with the dilemma of the hapless northern municipalities than with the antediluvian white communities of Alabama and Mississippi, this is human and understandable in a Bostonian who seems to have been finding out about the South for the first time. Much of what he says is well observed, and in the exposition of vast problems his somewhat grandiloquent style is at its most appropriate.

In the end, though, the excitement of the narrative rests on the author's deeply embedded feeling that politics are indeed exciting—a feeling more easily sustained nowadays in America than anywhere else, if only because of the vast power that is entrusted to American rulers and the almost boundless field over which they exert it. "Government," Mr White observes in passing, "is at once the most powerful and magnificent creation of the human race—and the most delicate and fragile." Well, if a man is to spend twenty years on five books about five contests for political power, it is a great help to be able to feel like that about government. Mr White not only observes, analyses and narrates, and does these things very well; he conveys, and from the heart, a strong sense of the exhilaration of the political game.

Out of the Dark . . .

Colour and the British Electorate, 1964: *Six Case Studies*

Edited by Nicholas Deakin.

Pall Mall Press under the auspices of the Institute of Race Relations. 172 pages. 25s.

New Commonwealth Students in Britain: *With Special Reference to Students from East Africa*

A PEP Report.

Allen and Unwin. 253 pages. 35s.

The shape of politics in Britain has been altered by what people think happened in a few constituencies at the general election last October. The Government's *volte-face* on the question of Commonwealth immigration, and the Opposition's perpetual struggle to keep itself looking even stricter than the Government, are evidence enough of that. But the really interesting questions remain unanswered. First, what did happen in those constituencies: and, secondly, is the response by both parties to what did happen the right response?

The Institute of Race Relations has put together a series of studies by six authors of what happened in six constituencies where immigration was likely to become an issue. They do something to answer the first question. What happened, in many of these constituencies, was precisely nothing. For the immigration issue to be important in shifting votes several preconditions were necessary. There had to be large numbers of immigrants, recently attracted by the demand for labour into an area of seedy housing and poor amenities. And there had to be a candidate from one of the main parties willing to make full play with the fears thus aroused in the minds of the native population.

A minority right-wing candidate, it seems, could not make much impact—although one with a straight apartheid platform notched up 8½ per cent of the popular vote at Deptford. It is a shame, incidentally, that the essay on this interesting constituency fight relies so heavily on hearsay and the techniques of popular journalism: its author argues that the two main parties were wrong to try to keep the immigration issue out of the conflict, and this case deserves to be adequately put. For both parties, or the high commands of both parties, tried to keep things quiet.

Conservative Central Office was, indeed, so extremely discreet as to refuse to cooperate in one of the studies published in this book: that of the most celebrated constituency of all, Smethwick—although the party's leader refused, equally, to acknow-

ledge that there were differences of emphasis between himself and the candidate, Mr Peter Griffiths. One Midland story, told here, is telling. The Tory candidate at Birmingham, Sparkbrook, was offered by a neighbouring constituency organisation a supply of strongly racialist leaflets. He refused the offer. "I might be a politician," he said, "but I wouldn't sink as low as that." He lost. The neighbouring Tory, who used the leaflets, won. Others, next time, will be sorely tempted to use similar leaflets.

Perhaps, however, the study of Bradford East should be as carefully remembered as that of Smethwick. In Bradford the concentration of immigrants is probably the highest in the country. The immigrants are mostly single Indian men. The stock of housing, of schools, of other social amenities, is pretty grim. Yet the pattern of voting was in its broad outlines unaffected; and the swing to Labour was above the national average, and well above the regional average.

But, of course, it would be foolish to base a policy on the tentative and piecemeal evidence presented, with accurate modesty, in this book. The major parties are, however, basing their new restrictive policies towards immigration from the Commonwealth on evidence just as tentative. The PEP study of Commonwealth students illustrates just one of the dangers of this approach.

The approach was to take a sample of some 400 students from east Africa, whose experiences may or may not be typical of those of the 12,000-odd students from the new Commonwealth in Britain now. Careful and precise recommendations are made about how the undoubted failures on all sides—originating either with the host country, the country of origin, or the students themselves—could be avoided. For general policy an equally clear lesson emerges. Studying in Britain now are those who may become the future President X, General Y and (perhaps most important of all) purchasing officer Z. Their attitudes to Britain will be affected all their lives by the treatment accorded to them as students. That treatment is profoundly affected by the general political climate. If the politicians, in their haste, continue to proclaim the existence of a colour problem, instead of trying to find out whether there is one separately from the housing problem, the schools problem, or even the problem that some politicians behave as they do, the outlook is poor for that alliance of self-interests called the Commonwealth. Britain does not have all that many assets to throw away.

Onslaught on Pills

Drugs, Doctors and Disease

By Brian Inglis.

André Deutsch. 240 pages. 25s.

As might well be expected from this author on this subject, his book is polemical, black and white, full on the chin. Armed with the evidence of the Kefauver hearings, the report of the Johns Hopkins conference on drugs and with much else besides, Mr Inglis belabours the drug firms, the drugs themselves, the medical profession and its press, and the Ministry of Health.

Richard Harris's articles in the *New Yorker* early last year on the Kefauver hearings in the Senate gave a clear and comprehensive view of the methods of the pharmaceutical industry in the United States, and by extension in this country as well since American firms and their subsidiaries now dominate the British market. The evidence submitted of price rings, high prices and profit margins; of abuse of patents; of high pressure promotion and questionable sales methods; of the near-bribery of doctors; of dubious research methods and molecular manipulation; of excessive claims of efficacy and the playing-down of side effects—it added up to present a far from pretty picture of the industry. All this and more is in Mr Inglis's indictment of the industry, and he accuses the medical profession of succumbing to its aggressive sales methods, misusing the drugs, and exposing patients to unnecessary risks. Medical education is assailed for ignoring therapeutics and for failing to imbue its products with enough scepticism to resist the pharmaceutical onslaught. Indeed, on the question of whether doctors should any more have the right to unfettered prescribing the author says, quite unequivocally, "If doctors ever deserved their prescribing right in the past they have certainly forfeited it in recent years."

He attacks medical journals for accepting advertisements from drug firms that make misleading claims, and the Ministry for having too much patience and for not being tough enough with the industry.

Mr Inglis presents the case for the prosecution in an able and comprehensive way, but he barely refers to the immense benefits that drugs and vaccines have conferred on everyone in this century, or to the fact that the drug firms, whatever their failings, have certainly delivered the drugs. (For instance, deaths from tuberculosis have fallen since 1925 from over 40,000 a year to 3,000.) His animus against drugs and the medical profession seems to stem from the use—admittedly, often the uncritical use—that doctors make of drugs in treating symptoms and diseases which the author believes arise from stress and from emotional factors and which he thinks should be treated psychotherapeutically. But drugs have, after all, proved of some help, whereas psychotherapy has been found virtually useless, in various conditions which the author would presumably call stress ones—in hypertension, asthma, peptic ulcer and ulcerative colitis.

Wilhelmine Germany

Friedrich von Holstein: *Politics and Diplomacy in the Era of Bismarck and Wilhelm II; Two Volumes*

By Norman Rich.

Cambridge University Press. 902 pages in all. £8 8s. the set.

After editing four fascinating volumes of Holstein's papers, Professor Rich has now published his final interpretation in a fur-

Everyman's

DICTIONARY OF ECONOMICS

The 17th Volume in Everyman's Reference Library

Compiled by ARTHUR SELDON *and* F. G. PENNANCE

'Invaluable to any business executive, industrialist, trade unionist, politician, journalist or other professional man'—STATIST

'Another 25/- treasure to add to the Everyman Reference Library'[1]
'No less essential book of reference than the English dictionary'[2]
'An admirable compendium . . . should be in great demand'[3]
'Thousands of students will thank them'[4]
'Book to keep by the bedside'[5]
'I shall turn to it frequently'[6]
'Stimulating to read'[7]
'Warmly recommended'[8]
'Heartily recommended'[9]
'Strongly recommended'[10]
'Excellent . . . a gem'[11]
'Value for money'[12]
'Invaluable'[13]
'Valuable'[14]

1 *Cambridge News*
2 *British Industry*
3 *Daily Telegraph*
4 *The Times Educational Supplement*
5 *Policy Holder*
6 *Methodist Recorder*
7 *Guardian*
8 *British Book News*
9 *Yorkshire Post*
10 *Economists Association*
11 *Times Review of Industry*
12 *Business*
13 *Accountancy*
14 *Director; Tablet*

Published by J. M. Dent & Sons Ltd, from Aldine House, Bedford St, London WC2

ther fat two volumes. Holstein emerges as far more human—indeed all too human—by comparison with the sinister myth that was created, it now becomes clear, largely by Bülow. Bülow's intrigues with both Holstein and Eulenburg when they were at daggers drawn provide one of the nastier performances in German history. In 1884 when Bülow was in difficulties because he was in love with Countess Dönhoff, whose husband refused to divorce her, he confided in Holstein, who showed great sympathy. Yet in 1897, long after Bülow had happily married his Italian princess, he wrote to Eulenburg mocking at Holstein's fatherly feelings for him.

Holstein was remarkably moderate in most directions. Although he was opposed to a hasty alliance with Britain he was much more opposed to the Kaiser's naval policy, which was certain to antagonise the British. Over internal questions, too, he was moderate. And, as Professor Rich writes,

> During a great part of Holstein's career the main problem for him was not foreign policy at all, but a struggle to restrain the Kaiser's activity and curb his authority without overturning the monarchical system of government or the existing social order.

Holstein was not a liberal, but he was against arbitrary authority and follies like anti-semitism which raised its ugly head against his later friend, Harden. He favoured government by experts with some control by public opinion. His judgment was strikingly independent for a German civil servant in the years before 1914.

Holstein has been abused for exerting power while shirking responsibility. To a large extent the opposite was true. Power in Wilhelmine Germany was exerted by the Kaiser or by the Chancellor; it was convenient for Wilhelm or Bülow to hold Holstein responsible for their mistakes; but even when they took his advice the responsibility was theirs. In the world of disagreeable intrigues and court camarillas which the Holstein papers reveal, it is interesting, as Professor Rich points out, that military interference was relatively small. And it was partly thanks to Holstein that Waldersee, who came nearest to enjoying political power, failed to capture enough of it to matter; Holstein helped to block his attempt to organise the military attachés into an intelligence organisation independent of the political and civilian authorities.

Holstein turns out to have had a much more adventurous youth than his later life would indicate. His journey to Italy in 1860, when he was twenty-three and was successfully convinced by Cavour that Italy was not going republican, is worth recording. So are his American adventures. His touchiness which was at the bottom of all his troubles, remains inexplicable, for his family background was relatively happy by the standards of the time and place.

PAPERBACK SELECTION

Below is a guide to some of the paperbacks received by this journal in recent weeks. A further selection will appear in the near future.

Biography:

JOHN LOCKE. By Richard I. Aaron. 336 pages. 10s. 6d. SHELLEY: A Life Story. By Edmund Blunden. 319 pages. 12s. 6d. *Oxford University Press.*

STRINDBERG: An Introduction to his Life and Work. By Brita M. E. Mortensen and Brian W. Downs. 244 pages. 9s. 6d. *Cambridge University Press.*

W. B. YEATS, 1865-1939. By Joseph Hone. 512 pages. 21s. (Papermac.) *Macmillan.*

LETTERS OF A JAVANESE PRINCESS. By Raden Adeng Kartini. (Translated by Agnes Louise Symmers. Edited by Hildred Geertz.) 246 pages. 15s. *W. W. Norton,* New York. London: *Oldbourne Press.*

Economics:

KEYNES AND THE CLASSICS. Edited by Robert Lekachman. 132 pages. THE FEDERAL DEFICIT: Fiscal Imprudence or Policy Weapon? Edited by William Hamovitch. 159 pages. ECONOMIC DEVELOPMENT: Evolution or Revolution? Edited by Laura Randall. 159 pages. FEATHERBEDDING AND TECHNOLOGICAL CHANGE. Edited by Paul A. Weinstein. 143 pages. THE CONTROVERSY OVER THE QUANTITY OF MONEY. Edited by Edwin Dean. 140 pages. WAGE DETERMINATION: Market or Power Forces? Edited by Richard Perlman. 160 pages. 12s. 6d. each. (Studies in Economics Series.) *D. C. Heath,* Boston. London: *Harrap.*

MONOPOLISTIC COMPETITION, TECHNICAL PROGRESS AND INCOME DISTRIBUTION. By Jos. G. M. Hilhorst. 163 pages. f21.50. INPUT-OUTPUT RELATIONSHIPS IN PAKISTAN, 1954. By G. Rasul. 111 pages. f19.50. THE CHOICE OF SECTORS AND REGIONS. By J. C. Saigal. 96 pages. f19.50. *Rotterdam University Press.*

THE GREAT CONTRACTION, 1929-1933. By Milton Friedman and Anna Jacobson Schwartz. 158 pages. 22s. 6d. ON THE ACCURACY OF ECONOMIC OBSERVATIONS. (2nd edition, revised.) By Oskar Morgenstern. 336 pages. 22s. 6d. *Princeton University Press.* London: *Oxford University Press.*

CENTRAL PLANNING. By Jan Tinbergen. 160 pages. 9s. 6d. THE ECONOMICS OF SOVIET PLANNING. By Abram Bergson. 411 pages. 17s. (Both Studies in Comparative Economics Series.) *Yale University Press.*

READINGS ON ECONOMIC SOCIOLOGY. Edited by Neil J. Smelser. 312 pages. 32s. MANAGEMENT: Readings towards a General Theory. Edited by William B. Wolf. 345 pages. 32s. *Prentice-Hall International.*

AN EXPENDITURE TAX. By Nicholas Kaldor. 249 pages. 15s. (University.) INTERNATIONAL TRADE AND ECONOMIC GROWTH: Studies in Pure Theory. By Harry G. Johnson. 204 pages. 15s. (University.) *Allen and Unwin.*

THE ECONOMICS OF MANAGERIAL DECISION: Profit Opportunity Analysis. By Chester R. Wasson. 237 pages. $2.50. *Appleton-Century-Crofts,* New York.

History:

MINING CAMPS: A Study in American Frontier Government. By Charles Howard Shinn. (Edited by Rodman W. Paul.) 339 pages. 15s. THE ERA OF THE AMERICAN REVOLUTION. Edited by Richard B. Morris. 429 pages. 18s. 6d. ESSAYS ON THE CIVIL WAR AND RECONSTRUCTION. By William A. Dunning. 417 pages. 15s. THE DIVINE RIGHT OF KINGS. By John Neville Figgis. 368 pages. 18s. 6d. (All Torchbooks Series.) SOCIETY AND POLITICS IN ENGLAND, 1780-1960: A Selection of Readings and Comments. Edited by J. F. C. Harrison. 496 pages. 28s. *Harper and Row.*

GERMANY TRIED DEMOCRACY: A Political History of the Reich from 1918 to 1933. By S. William Halperin. 575 pages. 18s. THE UNITED STATES AND THE INDEPENDENCE OF LATIN AMERICA, 1800-1830. By Arthur Preston Whitaker. 638 pages. 21s. THE DEMOCRATIC SOUTH. By Dewey W. Grantham. 121 pages. 9s. 6d. *W. W. Norton,* New York. London: *Oldbourne Press.*

THOMAS JEFFERSON: American Humanist. By Karl Lehmann. 293 pages. 17s. (Phoenix.) NORTH OF SLAVERY: The Negro in the Free States, 1790-1860. By Leon F. Litwack. 329 pages. 17s. (Phoenix.) THE COLONIAL WARS, 1689-1762. By Howard H. Peckham. 248 pages. 14s. (Chicago History of American Civilisation.) *University of Chicago Press.*

THE MIND OF GERMANY: The Education of a Nation. By Hans Kohn. 370 pages. 18s. (Papermac.) THE ENGLAND OF ELIZABETH: The Structure of Society. By A. L. Rowse. 561 pages. 10s. 6d. (Papermac.) *Macmillan.*

A DOCUMENTARY HISTORY OF ENGLAND: Volume II, 1559-1931. By E. N. Williams. 301 pages. 5s. (Pelican Original.) BRITISH HISTORY IN THE NINETEENTH CENTURY AND AFTER, 1782-1919. By G. M. Trevelyan. 494 pages. 8s. 6d. (Pelican.) *Penguin.*

WILKES AND LIBERTY: A Social Study of 1763 to 1774. By George Rudé. 256 pages. 8s. 6d. THE TWILIGHT OF IMPERIAL RUSSIA. By Richard Charques. 256 pages. 8s. 6d. *Oxford University Press.*

STRESEMANN AND THE POLITICS OF THE WEIMAR REPUBLIC. By Henry Ashby Turner. 292 pages. 22s. 6d. *Princeton University Press.* London: *Oxford University Press.*

LAST LETTERS FROM STALINGRAD. Translated by Franz Schneider and Charles Gullans. 127 pages. 60 cents. *New American Library,* New York.

GERMANY IN THE EIGHTEENTH CENTURY: The Social Background of the Literary Revival. By W. H. Bruford. 366 pages. 12s. 6d. *Cambridge University Press.*

HISTORY OF EUROPE IN THE NINETEENTH CENTURY. By Benedetto Croce. (Translated by Henry Furst.) 375 pages. 20s. (University.) *Allen and Unwin.*

Philosophy and Religion:

THE VICTORIAN SAGE: Studies in Argument. By John Holloway. 308 pages. 15s. A HISTORY OF GREEK RELIGION. (2nd edition.) By Martin P. Nilsson. (Translated by F. J. Fielden.) 316 pages. 15s. *W. W. Norton,* New York. London: *Oldbourne Press.*

LOGIC AND SEXUAL MORALITY. By John Wilson. 281 pages. 4s. (Pelican Original.) THE IMITATION OF CHRIST. By Thomas À Kempis. (Translated and introduced by Leo Sherley-Price.) 217 pages. 4s. (Classics.) *Penguin.*

MORE'S UTOPIA: The Biography of an Idea. By J. H. Hexter. 188 pages. 11s. (Torchbooks.) *Harper and Row.*

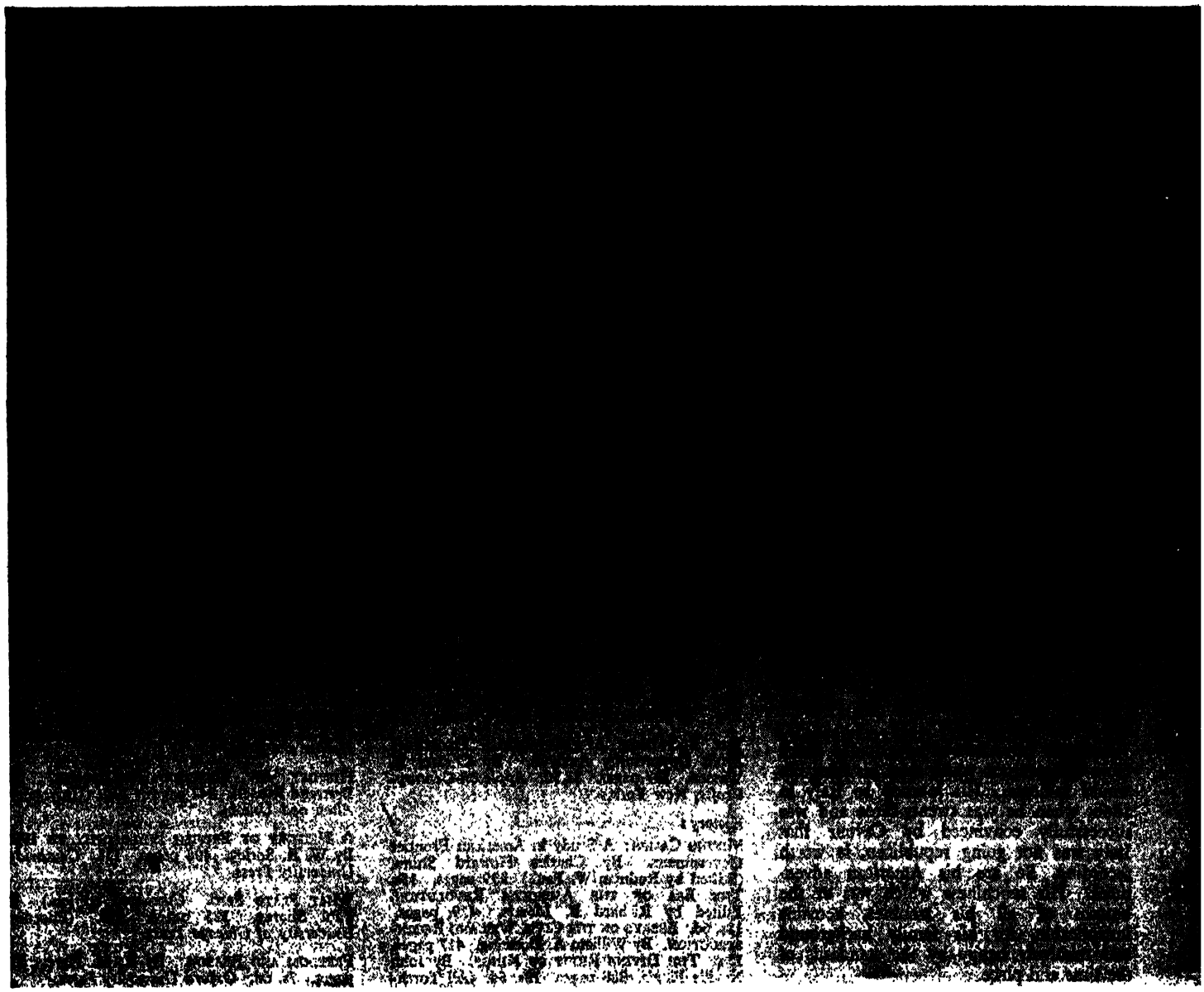
HISTORY OF WESTERN PHILOSOPHY. By Bertrand Russell. 842 pages. 20s. (University.) *Allen and Unwin.*

A HISTORY OF BRITISH PHILOSOPHY TO 1900. By W. R. Sorley. 406 pages. 15s. *Cambridge University Press.*

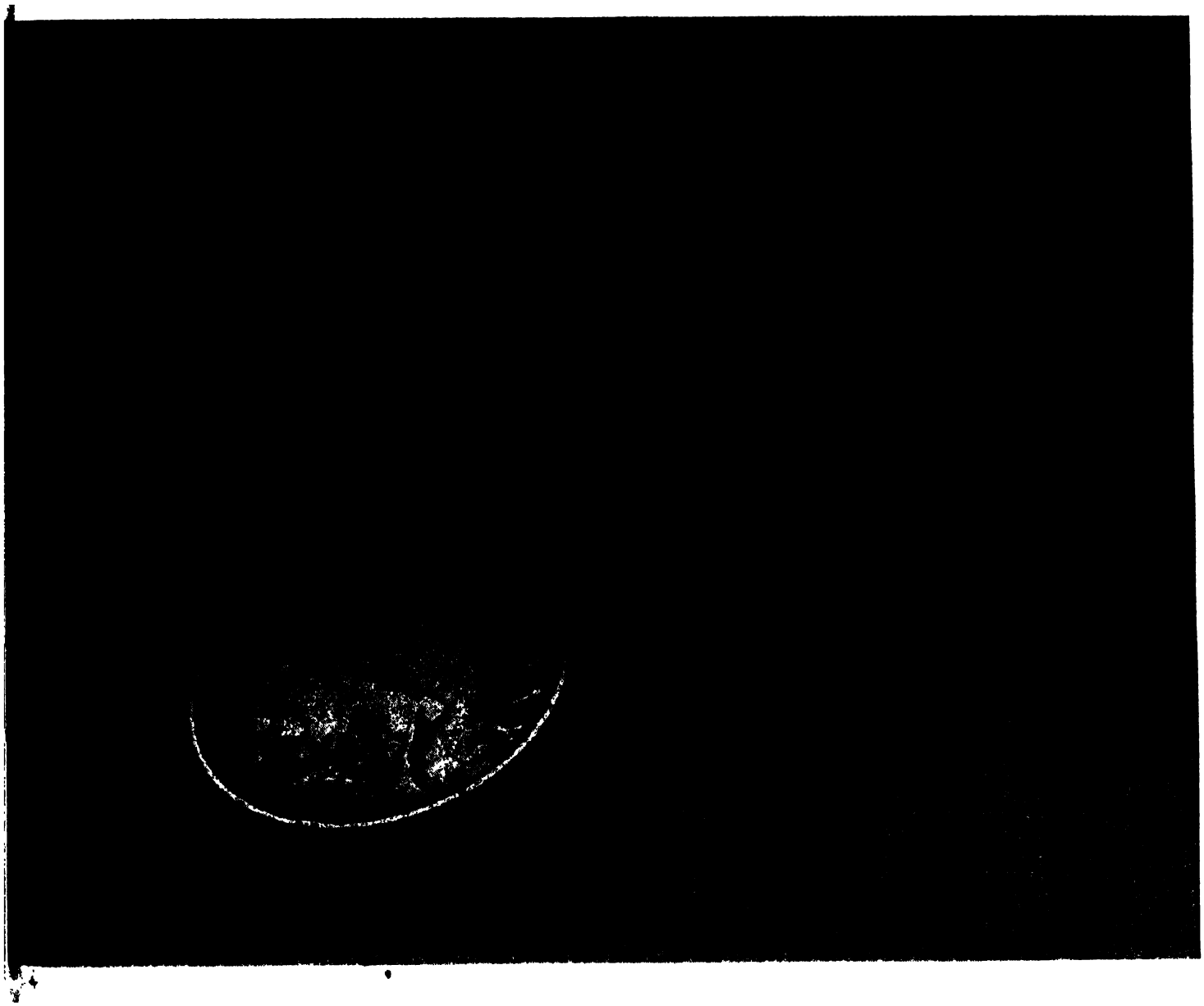
WHAT PLATO SAID. (Abridged edition.) By Paul Shorey. 385 pages. 26s. (Phoenix.) *University of Chicago Press.*

FREEDOM AND REASON. By R. M. Hare. 235 pages. 7s. 6d. *Oxford University Press.*

GKN *lightenment*



Vertical integration probably sounds more complicated than it really is. All it meant to GKN in 1902 was that for two fasteners manufacturers to produce most of their own raw materials, and for an iron and steel company to have an assured outlet for most of its semi-finished products, seemed to be good economic thinking. It was, of course. It still is. The steady growth of GKN since then and is still continuing proves it. The complication, if any, lies in the fact that we have long since branched out from the production of steel and fasteners, until now our products and services cover practically every aspect of engineering. Vertical integration within the GKN Group is still operative, of course very much so. It is one of the basic ingredients of our success. It enables us to do more for more people: to guarantee—and to achieve—better results. In steel-making it means that we know with peculiar precision what we are aiming for; in manufacturing, that we can exercise control over the quality of a product long before we begin to shape it. Vertical integration, in fact, is a simple idea applied to a complex of processes. We think it is the sort of simple idea that just doesn't date. So, although we employ more engineers, scientists, economists and other experts than most firms, and although we are well up in subjects as diverse as sinter practice, Value Analysis, "birdcage" scaffolding, and brewery logistics, the point we want to make here is that, with GKN, the *important* penny dropped a long time ago. Ask us for practically anything in steel or steel products today, and you'll find the penny still drops. GUEST, KEEN AND NETTLEFOLDS, LTD., HEAD OFFICE, LONDON WORKS, SMETHWICK 40, STAFFORDSHIRE.



BUSINESS BRIEF

Improvement in Britain's visible trade deficit in June came entirely from the import side while exports continued their downward drift. This disappointing news kept the stock market subdued: only gold shares gained.

German measures to curb the Federal Treasury's spending will, it is expected, fall most heavily on defence.

America's gross national product advanced 1½% (money terms) in the second quarter, up for the 17th successive quarter. Encouraged also by good company news, Wall Street strengthened.

WHERE DOES ALL THE ADVERTISING GO?

Not every country has all advertising media. A country the size of Australia or the United States has no national newspapers because the areas are so big. But Japan has: so has Britain, where even now they account for 30% of what media owners receive in advertising receipts. Germany hasn't: but France and Italy, as well as Germany, all have important regional newspapers.

Every industrialised country has important consumer magazines, mostly aimed at housewives. But only America, Canada and Australia have fully developed commercial radio. Not every country has commercial television: and only in Britain and Japan has the impact of television killed or aborted the otherwise vital general interest weeklies. In Europe very little advertising is allowed on television; where permitted the commercials are put in great lumps at a few points in the evening. So they are easily avoided by potential viewers.

Despite this, television is such a powerful sales medium, particularly for the cheaper consumer products, that all the space available is immediately taken. So great has the success been in Germany and Italy that Switzerland and Holland are following suit in having non-commercial stations taking advertisements: probably France, too.

Although the United States has set the pattern in many ways, yet continental Europe in particular has been able to have a better rate of economic growth over fifteen years than the Anglo-Saxons with markedly less advertising expenditure—however you measure it.

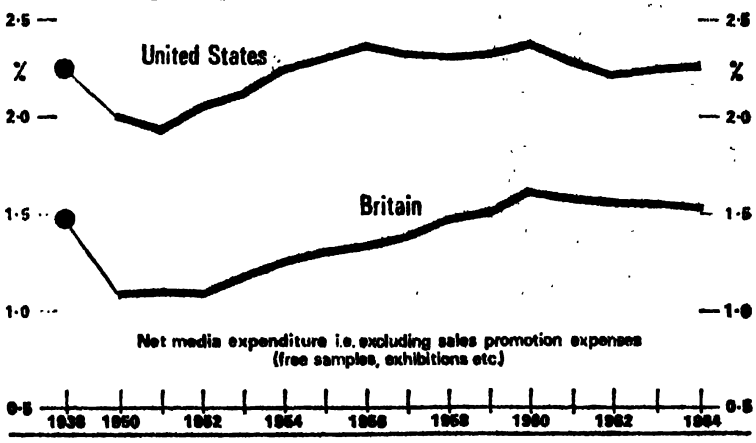
Despite the waves of figures with which market researchers juggle continually, international advertising comparisons are largely guesstimates. A fundamental difficulty is what expenditures should be included. Owners of media receive only a part of the total spent on advertising—a proportion which declines rapidly the more promotional devices are included in the definition. So you have two sets of statistics—which sometimes get confused—"gross marketing expenditure"—all the advertisers spend—and "net media receipts"—what the media owners receive. And for different countries at different times you have to add between 40-50% to n.m.r. to get g.m.e.

The Money the Media Don't Get

Promotional devices range from free handouts and gift schemes to window and interior displays, signs, catalogues, leaflets and other literature. Unilever, one of the world's largest advertisers, has said that a third of its expenditure goes in this way. This proportion is likely to be even greater where the media available are not enough to carry the amount which advertisers wish to spend.

There are two factors here: few products are marketed through mass media in every industrialised country. Probably only cleanliness and toilet products (from soap to detergents to deodorants), household durables, convenience foods (packaged, tinned and frozen), and petrol and oil are common to all countries. Tobacco is heavily advertised in Anglo-Saxon countries, and to a lesser extent in Germany, but France and Italy have state tobacco monopolies which are not as heavy advertisers. Cars are thought to be heavily advertised in the United States—and in Britain. **But in both Britain and America last year n.m.r. amounted to just under 1% of the total spent on automotive products, against 15-20% for toiletries. This emphasises the point that advertis-**

ADVERTISING EXPENDITURE
as percentage of gross national product



ing is an important cost element only in economically unimportant products.

United States

Before the war and, indeed, until the early fifties, the press was the dominant medium: even radio never accounted for more than 11.5% of n.m.r. Then came television: by 1956 it accounted for 12% of the total: eight years later it was up to 16%, and this in a rising market, where total expenditure went up by $4.1 billion to $14 billion in the same eight year. In the late fifties, with a stagnant economy and expanding advertising this took up to 2.4% of GNP. **With the expanding economy of the early sixties, advertising is now down to 2¼%.**

The chief sufferers have been daily newspapers—and radio. The latter has not recently taken more than 6% of the total and was declining until a remarkable and continuing turnround in 1963; it is now a favourite and obviously suitable medium for intensive local spot advertising. Sunday newspapers may well have maintained their positions in the last few years, as have the major consumer and trade magazines. But with city dailies there has been a vicious circle, especially where suburban dailies have been flourishing. Less advertising (plus increased production costs) means fewer papers, which means fewer outlets for advertising—and less complete coverage. **A city with one morning and one evening paper may have four or more television stations. This trend looks likely to continue, with television, and to a lesser extent local radio and national magazines, the most recession-proof media.**

Britain

Here again n.m.r. rose in the late fifties, to a peak of 1.6% of GNP in 1960, because of the gradual impact of commercial television in those years: growth was halted for a couple of years by the 11% turnover levy on television advertising. But this was replaced in 1964 by a charge on the takings of the station over £1.5 million. This, combined with the increasing discovery by smaller companies of the effectiveness of the medium, meant that n.m.r. was 15% up in the first few months of this year on last year.

Although fewer products will be launched or heavily promoted in any recession over the next eighteen months, television remains the linch-pin of all advertising of cheap consumer products and will suffer less than other media. It could be hurt by competition from the pirate commercial radio stations—much more if the BBC were allowed (or forced) to carry radio advertising. And from August 1st tobacco advertising will be forbidden on television: this accounted for 7% of the total last year. This year the total is up to 8% or more—one last fling?

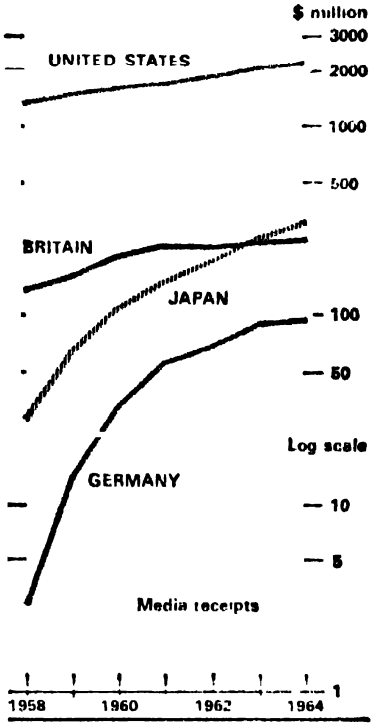
The weakest media are the daily newspapers, particularly the less prosperous London and provincial morning papers. These are particularly vulnerable as they are not as good for local saturation coverage as the local evening papers (which have no national competition) or the local weeklies—which lie around the house like magazines. Many advertisers now using local papers are longing for local commercial radio; with any local radio, commercial or not, the less prosperous provincial papers, dowdy-looking and incompetently edited, could collapse in droves.

The major magazines — mostly aimed at women, or categories like home or car owners—are vulnerable in recession, although they survived commercial television quite well, losing only 2% of the total and keeping 10% now. The seven major women's weeklies all came into one ownership four years ago. Already two are gone: in any decline two others might go. There is similar duplication elsewhere, in motoring and financial weeklies, for example.

France

With a largely medieval distribution system, newspapers with regional circulations, out-of-date layouts, and conservative consumers, France is far from being the ad-man's heaven. N.m.r. has risen only in line with GNP—which is not very fast in recent years. At $486 million for 1963, the expenditure on advertising was only 0.6% of GNP—and this may include expenditure on sales promotion devices not included in the figures for other countries. For promotions like the mile-long advertising convoy accompanying the Tour de France for a month every July are important elements in so unsophisticated a scene. **As in Germany, the majority of advertising is in newspapers and magazines: the latter being the only "modern" advertising media in the country.** In the absence of official television advertising, radio accounts for nearly a tenth of all media expenditure.

TELEVISION ADVERTISING



It is surprising that no encouragement has yet been given to advertising as a means of helping to boost consumer expenditure. **In fact the scene will remain stagnant until commercial television appears.** In such a situation it could take the 30% or so of total n.m.r. that it has in Japan.

Germany

Growth of advertising over the last ten years has been explosive. **GNP may have doubled between 1955 and 1963, but expenditure on advertising quadrupled.** Even so, n.m.r. at $824 million in 1963 only amounted to 0.9% of GNP. The biggest media remain newspapers, mainly regional, with 46% of the total, and magazines with 38%. But in the last few years television, first on one channel, now on two, has taken on: negligible before 1958, it had risen to 11% of the total within five years. This despite several limitations on the amount to be seen.

Magazines have stood up well, and have increased their percentages: but newspapers have lost 15% of (an admittedly expanding) market since 1957, and the decline continues. Although advertising growth has been less exciting in the last eighteen months it could accelerate again with the availability of more television time—which could happen if the press takes over the organisation of the second channel as it hopes to.

Coin of the realm—but which realm? Austria, Spain, Mexico, America, Japan, England—coins from all these countries circulated throughout the Middle and Far East in their day.

Times and Customs change. Today, the speed and complexity of trade and finance require the fully integrated facilities of great international banking organisations.

The Hongkong Bank Group offers such a service and, with its vast resources, can provide the latest information and expert advice on all aspects of trade and finance in these areas.

THE HONGKONG BANK GROUP

THE HONGKONG AND SHANGHAI BANKING CORPORATION
HEAD OFFICE: HONG KONG
LONDON OFFICE: 9 GRACECHURCH STREET EC3

THE HONGKONG AND SHANGHAI BANKING CORPORATION OF CALIFORNIA
HEAD OFFICE: 80 SUTTER STREET SAN FRANCISCO 4
212 WEST SEVENTH STREET LOS ANGELES

MERCANTILE BANK LIMITED
HEAD OFFICE: 15 GRACECHURCH STREET LONDON EC3
WEST END BRANCH 123 PALL MALL LONDON SW1

THE BRITISH BANK OF THE MIDDLE EAST
HEAD OFFICE: 7 KING WILLIAM STREET LONDON EC4

BUSINESS

Liners on a Collision Course

Tramp freight rates are at their highest since Suez, and in spite of bulk carrier building, there are profitable prospects for small ships. Not for liners, though—unless they can regain the trust of their customers' governments

To men accustomed to depressions and gale force winds, the weather viewed from the bridge of many British ships now looks remarkably fine; but how much of Britain's merchant fleet is on the right course to make the most of the fair weather? Though dry cargo tramp freights are not higher than they were in January last year—when the Russian grain crisis jacked up the market—the tramp shipping business is generally considered to be in its healthiest state since the Suez crisis nearly nine years ago. This is now being attributed to the general expansion in world seaborne trade, bringing with it a reduction in laid-up shipping to below one per cent of the world dry cargo fleet; but the major factors behind the rising strength of the grain trades—which dominate the freight market—were first Russian, then Chinese, and now Indian demands. The Russians and the Chinese cannot be relied upon to be any more than fair weather friends to world shipping, getting in and out of the market as it suits them, though the Chinese have consistently imported about five million tons of grain annually since 1961, and many people expect them to continue at this level. Only the Indians can be relied upon as a source of demand for the future, and even they will make increasing efforts to carry their own requirements in their own ships. The ore and timber trades are still more precarious, as last month's dip in the Chamber of Shipping freight index showed. Shipping men are denying that political crisis has anything to do with the current strength of the freight market; but the Vietnam situation may already be one reason for the rising price of second-hand ships capable of trading there, and South-East Asian affairs may shortly affect the freight market even more. But the future for British shipowners does not lie in their ability to take advantage of short-term trends; it lies in their ability to adapt to the changing structure of world shipping. Two major changes are making their mark. The first is in bulk shipping and is already well under way. The second change, affecting the liner trades, is just beyond the horizon: the action taken by British liner owners during the next decade will decide which of them retains their position among the world's leading liner operators.

Changes in tramp shipping have centred around the increasing size and efficiency of huge bulk carriers—an 88,500-ton giant dry cargo ship is now on order. The cost per ton of construction and operation of these increasingly huge ships is considerably less than their smaller predecessors. But as an OECD Maritime Transport Committee report pointed out last month, there has also been a change in the structure of the tramp trades. Formerly, practically all bulk cargoes were chartered on the open market in tramps; now a considerable proportion is shipped in vessels owned and operated by the large merchant concerns controlling these bulk commodities—or in ships on long-term charter to them. The OECD committee calculated that in the ore trades only 30 per cent of the cargo is carried in ships on voyage charter, i.e. subject to the fluctuations of open market chartering. Where does Britain's tramp fleet fit into this picture? At 2.9 million tons at the middle of last year, it amounted to only 3 per cent of the world dry cargo fleet, but 29 per cent of Britain's dry cargo fleet.

Compared with 22 million tons deadweight of bulk shipping in the world of ships over 10,000 tons deadweight at the beginning of this year, nearly 60 per cent of Britain's tramp shipping was below 13,000 tons deadweight. British shipowners got into big bulk shipping late, but then they rushed at it. In May, Britain occupied third place in the list of countries with big bulk ships on order with 38 bulk carriers averaging 39,850 tons, which was above the world average size of ships on order, some 33,500 tons. But even this late rush may not have made much sense. By a quirk of history (the same thing happened between the wars), the smaller tramp and bulk ship owners may make a better living in the next decade than those who have gone into big bulk ships. For there is now an increasing shortage of relatively small ships capable of getting into most of the world's ports. This is partly because of the final demise of the Liberty ship, which is still fetching good prices after twenty years but cannot last much beyond 1968; and partly because of the relatively high capital and operating cost of that size of ship. As a result many people, the OECD Maritime Committee included, see a dual rate structure developing for tramps, which will give premium rates to small ships carrying up to, say, 18,000 tons. There was a dual rate structure before the war, but then it was ships carrying between 7,000 and 8,000 tons that got top rates—giving a measure of the improvement in the world's ports and cargo handling facilities in the past 25 years. Some British owners of small, postwar built bulk carriers now on charter to the British Iron and Steel Corporation (Ore) and others till

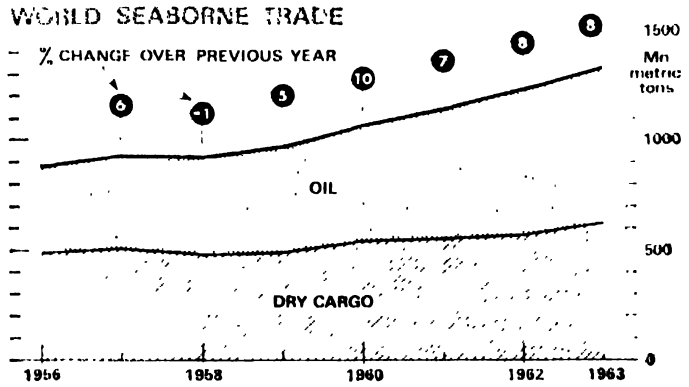
the late sixties and early seventies, clearly stand to gain from this situation. They will have written off their ships by the end of their charters and will then be able to trade them on the open market at premium rates. But the profits of big bulk shipowners may well be under more pressure, despite the improved economics of that type of ship.

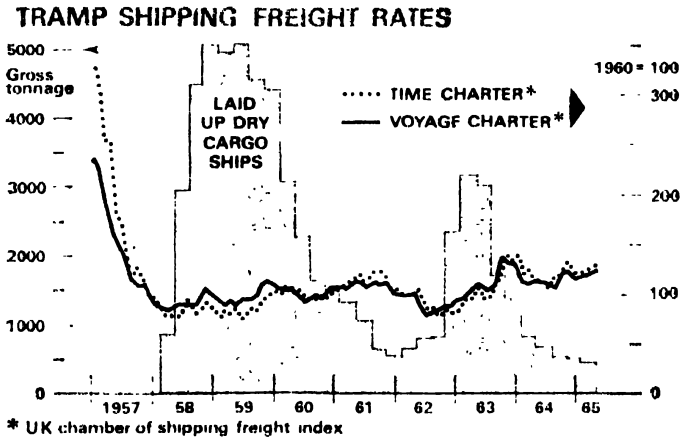
Charterers have every right to expect part of the freight cost savings to be passed on—and will bargain long-term contracts of affreightment accordingly. The pressure of competition is also likely to become more intense in the bulk shipping field, particularly as more cargo owners are choosing to build their own ships instead of chartering someone else's. Dry bulk shipping looks as if it is heading slowly towards a similarity with the tanker trades; cargo owners will operate most of the ships and the open market will provide simply the marginal requirements. Finally, competition in bulk carriage as in tankers will favour the low-cost flag operator, and that does not include Britain. But before you pick up the phone to your broker, it is worth remembering that having the right-sized ship is not a passport to slack operation. Many of Britain's competitors have lower costs and smaller, more flexible crews. Though the dividends of some British tramp companies may be steady for a while, they are not likely to be large.

THE future profitability of Britain's 7½ million gross tons of passenger and cargo liner shipping does not look so rosy. Liners operate under fixed passenger and cargo freight rates which have been rising more slowly than tramp freights, and hard-won freight increases are beginning to lag behind the rising cost spiral. Cargo handling costs take 30 per cent and more of the freights received by shipowners, and cargo liners—which spend up to 50 per cent of their lives in port—are far harder hit by port delays and labour troubles than bulk and tramp shipping which is loaded and discharged by mechanical means. Besides steadily increasing operating costs, competition is increasing in both the passenger and cargo fields—particularly from the air. On top of the decline of the passenger trades, low-weight high-value cargo that once went by liner now goes by air; and the air freight era has only just begun.

The squeeze on liner profits is political as well as commercial: it has come in the form of increased Government pressure on the process of liner freight rate fixing. For this the liner conferences have now only themselves to blame. At the root of their troubles lies the archaic process of fixing conference freight rates. The conferences have consistently hidden this process behind a ridiculous veil of secrecy on the ground that revealing it would assist their non-conference competition. This is nonsense, because any shipowner wanting to compete with conference lines can get details of their freight rates from any of the numerous shipping agents around the world who deal with both conference and non-conference ships. The truth is that the actual calculations of conference freight rates on any type of cargo (and it varies virtually from box to box and crate to crate) are wrapped up in historical hocus-pocus that boils down quite simply to "what the market will bear." This system cannot now stand the bright light of day—illustrated by current conference attempts being made, under the umbrella of the OECD, to stop the Americans publishing details of transatlantic trade volumes previously given in confidence. It is the organised chaos of the conference freight structure that shines through the argument now going on between the conference lines and various parts of the American and Canadian governments. The Americans and Canadians claim that their imports are being discriminated against by the higher export (than import) freight rates; and this weakness cannot be removed when shipowner-shipper associations that exist in Europe are not permitted by anti-trust laws in America. But North American governments are not the only ones applying pressure on the conference freight structure. The Australians already have conference freight rates under far closer control than the Americans, and look like pressing them even harder. Both the Indian and Pakistan governments have held a restraining hand on freight rates, and now, from another direction, Japanese trust-busters are about to apply pressure on the conference system and freight structure as well. If British liner companies are to expand along with world trade and continue to provide specialised shipping services for other nations who need them—North America included—they will have to win the trust of the nations with whom they trade and provide a freight structure which can be clearly understood, and be seen to be working efficiently by everyone concerned. That includes governments who subsidise their fleets and cargoes, and clearly have a right to be concerned about freight rate levels.

The advent of the container and the unit load is bringing about the next major change in the structure of liner shipping; a means of cutting handling and operating costs





drastically. Ships will be, and are being, designed as units in fast-moving block transport systems. While the container is clearly not the answer to all shipping problems—it needs a two-way container trade to become viable—the unit load can fill the gap between the current system and a containerised service. But more important, the unit load and the container make it possible to charge freight on the basis of so much per cubic foot—regardless of what the space contains. It is on this principle that American ships will shortly begin operating with the clear intention of cracking the conference edifice, with the full support of their government. Others will doubtless follow. In the face of this kind of competition, British liner companies need to create a freight structure that can be trusted and negotiated openly.

One or two liner operators have been capable of bending the conference system to suit themselves, and show profits accordingly; others have had their heads stuck in the sand so long that they have not noticed their tail feathers falling off. In general, there are plenty of investments that give a better return on capital than liner shipping—a lesson that one wishes would be noted by the American government and those of the developing nations as well as by the private investor. But some British shipowners have the ability and the experience to provide specialised shipping services to other nations that cannot afford them; and more important, they still have the capital. If this means open freight agreements with negotiated, built-in profit margins—like the formula system operated in Australia—or the amalgamation of liner companies to replace services once profitably provided under the conference system, then this must become part of the business of shipping. Without a change in the liner freight rate structure, shipowners must expect a declining return on their capital and the gradual dwindling of services to a size barely sufficient to provide half Britain's liner trading needs. The other half will be provided by the nations with whom Britain trades, regardless of the added expense to themselves.

Japan's Soft-skinned Vehicles

Will trade liberalisation mean a chance for foreign cars to compete in the Japanese market? Not on your Miti

Tokyo

ALTHOUGH Japanese car manufacturers have been openly resisting the Ministry of International Trade and Industry's attempts over the past two years to bring about a series of mergers to strengthen the industry, the companies are finally resigned to accepting the government's view. The first merger (already announced on a tentative basis) will be that of the Nissan Motor Company and the Prince Motor Company, previously the second and fourth largest car makers in Japan. Other prospective mergers (blessed by the government and the already heavily committed banks) are Toyota and Hino and Mitsubishi Heavy Industries and Isuzu. Nissan, capitalised at 35,000 million yen*, manufactures 40,000 cars a month. Prince is capitalised at 12,000 million yen and has a monthly production rate of 9,000. The one major factor that has finally made the reluctant companies accept the inevitable is the government's announcement that the much-heralded liberalisation of foreign car imports probably will be carried out on September 1st.

Another factor forcing mergers is the realisation that the Nissan-Prince amalgamation will make the new firm the largest in Japan. Up to now the biggest motor maker has been Toyota, makers of the popular "Corona," with 24 per cent of all Japanese automobile production (50,000 cars a month). Nissan, manufacturer of the best-selling "Bluebird," accounts for 20 per cent and Prince five per cent of the country's output. The Nissan-Prince marriage is due to be effective by the end of 1966, probably long before the government agrees to permit the liberalisation of import of automobile parts and components or foreign assembly operations in Japan.

There has been much talk among Japanese motor makers about the eventual full-fledged invasion of foreign cars, and even a good deal of opposition to the partial invasion suggested by the removal of import controls on completed foreign vehicles. But it is now generally understood that when the importers talk about the "meaningless auto liberalisation" there is a deal of truth involved. The reason is quite clear: even after liberalisation, leading Japanese dealers will not be able to sell as many foreign cars as they are now allowed to bring into the country. The combination of Japanese commodity tax (based on c.i.f. values) and duty is fairly close to 100 per cent of the original value of the car being imported. "We are actually in a liberalised situation already, since we now sell fewer cars than we have the right to import even without liberalisation," said one major dealer. Only 13,500 foreign cars were sold in 1964, 70 per cent of the permitted quota.

PERFORMANCE OF THE JAPANESE MOTOR INDUSTRY

	Production in 1964 in '000 units	Production in 1964 as % of 1960 figures	Exports in 1964 in '000 units
3-wheel trucks	80	29%	1·5
4-wheel trucks (up to 360cc)	359	866%	
4-wheel trucks (360cc to 2000cc)	634	347%	86
4-wheel trucks (over 2000cc)	116	138%	
Buses	14	162%	1·7
Cars up to 360cc	82	228%	
360–2000cc	491	382%	67
over 2000cc	6	none in 1960	

But just in case some market expansion advantages could be obtained by the importers of foreign-made cars, Japan is refusing to allow foreign makers to bring in capital or to borrow funds locally with which to finance the manufacture of parts in Japan, sales promotion activities, or long-term hire purchase payments, or to set up additional distributorships and service garages. Some foreign car dealers believe that Japan may apply the hire purchase sales law to automobiles, since imported cars have been sold on a three- to five-year hire purchase basis and Japanese vehicles on a 24-month payment

* A million yen is roughly equivalent to a thousand sterling pounds.

system. This law, if applied to cars, would require a 24-month basis for all hire purchase motor sales. The result: a very depressed market for foreign-made cars.

With this prospect before them, the under-capitalised and debt-ridden Japanese car makers are more concerned with the highly competitive situation in the domestic market. While the industry has had an unprecedented growth over the past ten years, there are signs that sales will soon level off drastically. There are a dozen makers in the field and many of them may collapse if they cannot merge in the next few years. The smaller concerns need new money merely to remain in business. This after all was the pattern in Europe and the United States thirty or forty years ago.

It is most probable that the industry will establish a special council late this month to suggest moves by the government to solve future problems as they develop. The council will evolve as a cooperative venture between the Automobile Industrial Association and the Midget Motor Manufacturers' Association of Japan. It is widely believed in the industry that although Japanese passenger cars have acquired more international competitive power under the government's protection so far, the industry is not sufficiently strong to stand on its own feet.

After years of careless growth, there are more than 20 passenger car models on sale now, with a total output of only slightly more than 500,000 per year. The average monthly production of these firms is only 2,500 to 3,500, while in Europe virtually no small car is made at a rate of less than 5,000 a month. The total production of cars, vans and buses in Japan last year was only 1.7 million; only a third of what General Motors manufactures, but higher than Italian output. It is widely accepted that the makers will eventually be regrouped into two or three combines to stop the firms from absorbing funds far beyond their ability to repay. This despite the recent success (sales achieved an all-time high in May) of "house-to-house" calls by salesmen aware that the Japanese have become "acutely car-conscious" in recent years.

The two major obstacles that stand in the way of future mergers are the problems of what to do with the top executives of the weaker company and which bank (if they have different banks as important shareholders) to drop. In the meantime, the Ministry of International Trade and Industry has made one point evident: it will take any and all steps necessary to prevent importers of foreign-made automobiles from achieving a competitive position in Japan, even if it has to change the laws to do so.

The Product Mix

The output of the Japanese motor industry is completely the opposite of European ones. It produces twice as many trucks as it does private cars, while the mixture is the other way round (or more so) in Europe; production of three-wheeled vehicles and vehicles of under 500 cc is minimal in Europe, but considerable in Japan; and while exports account for a third or more of the production of most European motor manufacturers, they account for a much smaller percentage in Japan. This also contrasts with the Japanese motor-cycle industry, which exported nearly 600,000 units out of its total production of 2.1 million in 1964—a figure of 30 per cent, which matches well enough with Europe.

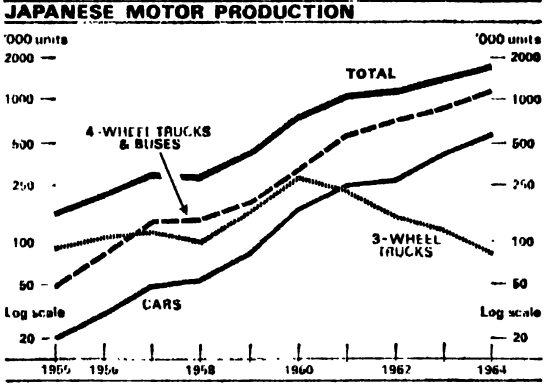
The production pattern, shown for 1964 in the chart, is by no means static: its changes reflect the fact that the Japanese are having to cram a story that has taken sixty years in the West into twenty years or less. Before the war very few passenger cars were made, though Japan had a truck industry designed for, and big enough for, very considerable military needs. Even as late as 1951 only 3,600 cars of all kinds were produced, against 75,000 trucks—of which the majority were three-wheeled "motorised rickshaws." The first stage in the evolution of the industry has been the relative decline in the production—and export—of these jalopies. The idea that they would be suitable for poor Asian markets for a long time, however, seems not to be true.

The second (and present) stage in the evolution of the industry, the shift from the production of trucks of under 360 cc capacity, popular for the tax advantages they offer, to larger units. The expansion in production of these smaller trucks, which had been dramatic for three years, was under 15 per cent in 1964 compared with 1963 and under 10 per cent for small cars. The third stage over the next few years will be a decline in the relative importance of trucks. So far, the changes have been painless, but if demand at home and abroad for cars does not increase as it should, a real crisis could occur.

Japanese products have not yet made any real impact in overseas markets where there is real competition from the Western makers—passenger cars, plus trucks of over 2,000 cc.

At the same time no one is disposed to underestimate the Japanese makers, especially in three points of attack. First, there is the four-wheel drive Land-Rover/Jeep type of vehicle—the Toyota Land Cruiser being the best example: secondly, the small sports car: third, the medium-sized family saloons of 1,500-2,000 cc category. The cars have many minor gadgets fitted as standard equipment that Western makers are inclined to treat as optional—and as you might expect, the car radio equipment is lavish and efficient. But two points militate against the Japanese doing as well with cars as they did with motor-cycles. Western motor-cycle makers were not all that efficient, and they were not expecting a serious challenge: Western car makers are both efficient and forewarned. At the moment the Japanese are concentrating on areas which offer one or more of a number of advantages: low tariffs, ease of shipment by cheap and regular cargo liners, initial penetration by motor-cycles, so the first targets have been Scandinavia and the Western United States. In both the Japanese have made a good start, but in any export markets the vital years are the second to the fifth. Is the word of mouth publicity good? Can the companies provide good service and—unlike so many European car makers in the United States—attract only good dealers? Or will they have to take on, weed out and replace duds? Then, is there a replacement market? We don't know yet.

JAPANESE MOTOR PRODUCTION



BUSINESS INTERNATIONAL

INTERNATIONAL LIQUIDITY

Mr Fowler's Surprise

Washington

MR HENRY FOWLER, the United States Secretary of the Treasury, is not what one would call a flamboyant man. By instinct he is at least as much a consensus-seeker as President Johnson. Yet it appears to have been almost entirely from Mr Fowler's unexpectedly fertile brain that there sprang the announcement, in his speech at Hot Springs, Virginia, on July 10th, of United States readiness to join in a world monetary conference to deal with the problem of international liquidity.

No advance consultation with other countries appears to have preceded Mr Fowler's announcement. He made no clear statement on the question whether the conference was to include the swarm of poor countries, or if it did, whether they were to count for anything. Without warning, Mr Fowler abandoned the previous United States position—that the world monetary problem would have to wait until the American balance of payments deficit was not only solved but seen to have been solved—and charged off like a crusading knight in search of a better world. His own officials had only a day or two's advance notice, and were taken almost as much by surprise as their foreign counterparts.

The most likely explanation for Mr Fowler's sudden donning of the mantle of reformer is that he has been stung by criticism from the liberals in America—criticism to the effect that the United States, and Mr Fowler in particular, were not paying enough attention to the effect on the rest of the world of the ending of the American deficit. Mr Fowler has always been an agile occupier of the middle ground between liberals and conservatives, never alienating either side and sometimes being the hero of one or the other. Now that it has become fashionable, in nearly all circles of Congress that pay attention to these matters, to advocate reform of the international monetary system, Mr Fowler evidently felt that the time had come to move. The President readily approved.

No doubt Mr Fowler is aware of the possible pitfalls. It could be as embarrassing to him as to his recent critics, for example, if the US balance of payments should turn sour again, as it has done several times before in the long struggle to get it right. There would also be some embarrassment if the US proposal simply fell flat, perhaps because the necessary degree of agreement did not exist.

And yet anyone who feels that the greater risk lies in inaction and delay must welcome Mr Fowler's assumption of the role of Galahad. He has been pushed by Congress—itself a heartening sign—and by his predecessor, Mr Dillon. The Americans are more likely than not to be in a strong position, and an expansionary America is surely better than a complacent or stand-pat one. Mr Fowler has some of the instincts of a Virginia conservative, but he is also pragmatist enough to recognise success where it exists. Having guided the income tax cut through Congress last year as an Under Secretary of the Treasury, and having seen the spectacular results in both prosperity and Treasury revenues, he is likely to resolve doubts on the side of expansion, international as well as domestic.

Mr Fowler—in a sense like General Marshall in 1948—has made his proposal before there is anything like a clear US position. It is a more complex world nowadays than the world of Bretton Woods, in which the only disagreements that mattered were those between America and Britain, and those two could impose their final agreement on the rest. Mr Fowler has opened the box—not, one must hope, Pandora's. The United States is now committed to a managed expansion of liquidity—and why not?

Paris Manoeuvres

THIS unexpected initiative, if all goes well, should open a new phase in the long road towards international monetary reform after the years of voluminous academic agitation and leisurely official investigation. The American aim is for a preparatory committee to be set up at this September's meeting of the International Monetary Fund; this committee would be given the specific task of reporting whether sufficient agreement for a full-scale conference exists and then, presumably, preparing the agenda. The conference itself could hardly be before 1966; and some further inter-governmental soundings must be taken in the next two months to prepare the ground for the preparatory committee itself.

It is still far too soon to be sure that the road to negotiation is now clear. Mr Fowler's proposal has this week had its expected hearty welcome in London—even if the British authorities might not have proposed a world conference themselves. Mr James Callaghan, who a fortnight ago was finding some difficulty in impressing his American counterparts with the urgency of the problem, may reasonably see this as at least an indirect result of his modest activities as an intermediary between Paris and Washington. Mr Callaghan is now preparing to renew his French contacts by a return visit to Paris. Paris itself, however, has no particular desire for such mediation. Equally, while France itself has been calling for a world monetary conference, Mr Fowler's proposal has been greeted in Paris with reserve, though not with hostility.

There are probably two influences here. First, there is the sheer public relations diplomacy of the operation—France has no desire to see the lead in "its" monetary reform taken by the Anglo-Saxons. Secondly, the call for a big negotiation in Paris has throughout come from the "hard" school primed by Jacques Rueff and used by General de Gaulle. The minister of finance, M. Giscard d'Estaing, has recently succeeded in lowering the temperature. In a specific negotiation he might not find it so easy to hold off the more extreme positions of the General—that dollar balances should be repaid and replaced rather than supplemented, that the new collective reserve unit should be tightly run by the group of ten, and that decisions should be on the basis of unanimity—principles on which the General is likely to be firmer than ever after his recent Brussels row. It is perhaps these intricate internal Paris manœuvrings that explain this week's unofficial whispers in the Rue de Rivoli that, with America's payments recovery only a few weeks old and Britain's barely begun, an international monetary conference would still be premature.

AUSTRALIAN INCOMES POLICY

Mr Brown to Note

Canberra

A REVOLUTIONARY basic wage judgment delivered on June 29th may give Australia a chance to show the world what can be achieved by the implementation of a national wages policy more or less tailor-made to the requirements of current economic doctrine. Australia has a highly centralised wages machinery which has evolved over the years to give overriding power over general statutory wage levels to the Commonwealth Conciliation and Arbitration Commission. This has long presented an opportunity to implement the "guiding light" without any need for agreement between unions and employers through the procedures now being adopted in Britain. But in the past the arbitration commission has been fighting its way towards a clear basis of theory on which to act. It has been

asked by the unions to adjust money wages in relation to changes in consumer prices and productivity combined. It has been asked by the employers to adjust money wages in relation only to movements in productivity. Even the "money wages" it is talking about refer in one case to the basic wage and in another case to "margins." The last major case of principle was one of 1961 in which the commission majority pretty well agreed with the unions' demand for increases in the basic wage to be directly related to increases in productivity and consumer prices.

This 1961 judgment was regarded by the Commonwealth authorities as a disaster. But the confusion over the appropriate theory that should guide the commission's thinking has not been relieved by any notable contributions from the Commonwealth side, which has generally opposed wage increases but has offered little theoretical guidance apart from a blind insistence on the principle of "capacity to pay." It has been left to a few academic economists—notably Professor J. Isaac, now of Monash University and Professor R. Downing of Melbourne University—to get across the message of increasing basic wage plus margins by a proportion related to the expected increase in productivity.

This is the approach that the majority judgment of the commission, delivered on June 29th, now adopts. In the period since November 1954, there have been six increases in the statutory basic wage (which practically no one actually receives) to bring it up from 243s. a week for an adult male to 315s. a week at the time of the last increase in June 1964. Over the same period there have been three increases in "margins" to bring the fitter's margin (the standard benchmark) up from 52s. above the basic wage, to 106s. in 1963. Under the system of considering margins and basic wage separately, the unions have been able to practise "leapfrogging"—getting a basic wage rise one year and a margins rise a year or two later.

Now all this is to be swept away. Margins and basic wage are to be considered together in annual wage decisions based primarily on economic evidence of the "capacity to pay" of the economy. The first of these decisions given on June 29th means that there will be no margins case later this year—as the unions had said there would be—and there will be no major rise in statutory wages for a year. The increase granted by the majority judgment is a small one—amounting to one and one half per cent of the combined basic wage and margins—which in the case of a fitter works out at 6s. a week. It is being tested already by threats of major industrial unrest. For the Commonwealth government it is a godsend. For the economists who have argued for such a change in wages policy for so long its outcome will be watched with intense interest. It gives Australia an opportunity to bring about a fairly close relation between movements in money wages and movements in productivity—for the one and one half per cent figure chosen by the commission majority for this year's increase is not far from the average annual increase in productivity in Australia in the last decade.

ALGERIAN OIL

Government to Government

No text of the petroleum agreement finally reached this week between France and Algeria will be published until it has been initialled by both governments, but some of its main provisions have become known in outline. So far as its financial provisions are concerned, it appears that new hydro-carbon developments in Algeria will be on terms roughly in line with the 75-25 pattern that is now emerging in most new Middle East oil deals. But this will be accompanied by significant modifications in the terms under which existing French and mixed companies are at present producing Algerian oil. Moreover, it is the intergovernmental aspects of the "co-operative association" for new hydro-carbon development that seem likely to constitute much the most significant innovation of this oil agreement.

Changes in the *Code Petrolier* for these companies' current operations are reported to include:

- Calculation of tax liability not according to the prices actually realised for Algerian crude, as up to now, but according to a higher tax reference price; this would be comparable to the way that taxes are related to posted prices, not "realisations," in the Middle East;
- Abolition of the "conservation" system whereby companies could postpone for five years the payment of tax on part of their profits;
- Abolition of allowance for tax purposes of very rapid depreciation, which had helped a number of producers to write down their taxable profits to such low figures that in their initial years of production they were paying Algeria no more than the bare royalty on the oil.

These changes in existing financial arrangements, *Le Monde* reports, will raise the Algerian government's income from NF 16 to NF 28 per metric ton of crude; and will presumably oblige producing companies to increase their actual transfer prices to the refining affiliates of international companies that along with national French refiners are obliged to use a sizeable proportion of this "franc oil" in supplying French consumers. And the Algerian regulation that has allowed producing companies to remit only 50 per cent of their profits since July 1964 is to become a permanent rule.

Formally, these alterations in the concession terms will apply only to French companies, among which Creps, the largest producer, has a 35 per cent Shell equity participation. The few foreign companies producing in Algeria, such as Sinclair (Phillips is ready to start full production as soon as it has pipeline capacity), would in theory go on operating on their old terms. But these too seem liable to come under pressure to re-negotiate. Another point in the agreement will raise the Algerian holding in SN Repal, the other main producer in Algeria, from its present 40.25 per cent to 50 per cent putting it on to the same terms as the new "co-operative association."

The "co-operative association" for petroleum development in areas not yet under concession appears likely to involve joint 50-50 participation by the two governments; given the 50 per cent tax, this would mean a 75 per cent "take" for the host government on eventual production. It is not yet clear how the Algerian half of the equity would be put up for this association. What is clear is that the financing of exploration and development of these new areas will come partly from the very large credits that France is said to have promised Algeria in annexes to the agreement. France also appears to be committing itself to a considerable programme of technical assistance to help Algeria develop manufacturing facilities (including an increase in refining capacity, from which France will be prepared to take imports of oil products). This degree of government to government co-operation, knitting the two nations closely together, looks to be something entirely new in international oil agreements. Other host governments will study the text, when it appears, with avidity; international oil companies too, but with uneasines.

FRENCH FARMING

Hurrah for Charollais

Paris

In September, 220 Charollais calves will be put into quarantine at Brest before crossing the Channel to go to British stock farms. It will be one of the most expensive consignments of young animals ever to have crossed the sea: 3s. 4d. a lb., on average. The price of Charollais cattle for breeding has been shooting up for some years under the influence of mounting demand from all over the world. More and more breeders now believe that the Charollais, whose birthplace is in the Nevers region of France, is the best meat breed in the world.

The Charollais makes an excellent, big carcase, covered with thick muscles and practically without waste. It does remarkably well on rough fodder, which explains its success in many tropical countries. The President of Argentina, where they know about beef, has called the Charollais the "breed of the future." The French are now attacking even the Chinese market, and will show six of the breed at the Peking fair in November.

Charollais breeders have kept herd books for a hundred years, but they have only just woken up to the commercial possibilities. The breed was popular in parts of the American continent by the end of the nineteenth century, but there was no regular export from France.

In 1950, French farmers sold only 10 Charollais bulls for breeding abroad. Since 1956, progress has been very rapid: 104 were exported in 1959, 670 in 1962, 1,846 in 1964; the figure will probably be over 2,000 in 1965, of which about 220 are expected to go to Britain. Prices have risen to dizzy heights. "Sans-Souci," prize-winning bull of the 1964 Paris Concours Agricole, was bought for Fr.110,000 (about £8,000) by an Argentine breeder. Ten years ago it was news in France if a bull was sold for £700. A few days ago, some Canadian buyers paid between £450 and £1,100 for young heifer calves 3 or 4 months old, and between £700 and £3,700 for bull calves of the same age.

British breeders also buy very young animals. The United Kingdom health regulations ban the import of all animals vaccinated against foot and mouth disease, for fear that this vaccination will bring undesirable viruses to Britain. All French cattle automatically undergo vaccination at the age of six months.

The French Charollais breeders make no excuse for the high prices they are now charging in the face of heavy demand from four continents—and from other French farmers. They are aware, too, of the profits to be earned by the spread of artificial insemination, by which a bull can father between 10,000 and 30,000 calves during his lifetime. The French breeders of the Bourbonnais region have anyway done no more than get into line with the high prices long paid on the Argentine and Brazilian markets for pure-bred animals of other great meat breeds like the Shorthorn or Hereford or even the "local" pure-bred Charollais. Until a few years ago, there was no real market for high-priced animals in France or Europe, which is why prices and turnover stayed at modest levels.

The boom of these last years has made the fortune of a small number of breeders —3,800 out of the million-and-a-half cattle breeders in France. Of these privileged few, 2,024 concentrated in Nièvre and Saône-et-Loire have set up a powerful export office, which looks after the selection of animals for export and sales promotion abroad. The office has plenty of money to use, as breeders pay a voluntary contribution of 10 per cent of their export earnings to finance the facilities it offers, which includes the shipping of exported animals.

FRENCH ECONOMY

The General Blows Warm

Paris

GENERAL DE GAULLE has just been showing Parisians the first samples of his atomic army and flying Mirage IVs over them to commemorate the fall of the Bastille. The day before the national feast, he presided over a Cabinet meeting at which total above-the-line expenditure was fixed for the 1966 budget. However they feel about the bombs, Frenchmen should be decidedly happier about the budget. Even a few months ago, the finance ministry was thinking of fixing two strict principles of national housekeeping by law: that public expenditure must not grow more quickly than the national product; and that the budget must be balanced, including capital transactions. Now it emerges that the first of these principles will be contravened in the 1966 draft finance bill.

In the past few weeks the tug-of-war between the prime minister, M. Pompidou and the finance minister, M. Giscard d'Estaing has reached its climax. The finance minister had prepared a plan envisaging an increase of 6.8 per cent in final public expenditure during 1966, which is close to the ministry's present forecast of growth of national product in money terms. Real income is expected to grow at a rate of about 4.5 per cent next year, with a projected increase in prices of the order of 2 per cent.

However, as is the custom, the Prime Minister exercised his discretion over some items of expenditure which were in dispute between the finance ministry and more extravagant departments of state, and the result will be a slightly more expansionist budget than was planned by M. Giscard d'Estaing. The draft law, as it appeared after exercise of the Hotel Matignon's discretion, projects a growth of 7.25 per cent in final expenditure. Last year, General de Gaulle insisted on a strict budget to back the Stabilisation Plan and M. Giscard d'Estaing apparently thought that he would support the same policy this year. He seems to have been mistaken. At Tuesday's cabinet meeting, General de Gaulle came down on the side of M. Pompidou's budget.

However, the consequences should not be exaggerated. There was no great split between the prime minister and the minister of finance. M. Pompidou wished to put just a little more emphasis on expansion—and even thought that a slight deficit would be useful in present circumstances. It is still too soon to know whether or not this further breach in the principles will be allowed. From figures already published, it does look as if there will be a deficit. However, experience shows that forecasts of the Treasury's income are rarely borne out by events. Thus, for example, balance in 1965 was gloriously heralded by the finance minister, who went so far as to buy newspaper space in order to publish triumphal announcements. But the tax returns at the beginning of the year were disappointing, which caused considerable gloom at the ministry. The latest tax returns are said to be better, but it will not be known before November whether or not the accounts will really balance. Needless to say, the forecasting for 1966 is riskier. The main point that emerges from it all is that there are men in the government who do not see balancing the budget as the highest form of virtue

INDIAN PAYMENTS

More Help from IMF?

New Delhi

THE way out of India's foreign exchange crisis is still not clear. With reserves down almost to the legal minimum, the immediate problem seems to be essentially one of phasing payments to match the flow of receipts from aid and earnings. This pinching and scraping has been made more difficult by two factors. First, India's trade deficit outside rupee payment areas increased during the year ended March because of large emergency imports of food and fertilisers to tide over crop failures. Secondly, there has been a big lag in recent months between exports and earnings. Some £65 million was reported this week to be outstanding from exports of £630 million made last year.

Officials were earlier attributing the lag to high interest rates abroad, but this no longer applies since the Indian Bank rate was itself raised in February. A more likely explanation is that there has been serious administrative bungling of an incentive scheme under which exporters get advance import quotas on a percentage basis for materials and components they need. Imports, it appears, have been allowed in without checking on actual receipts against exports. This loophole is now to be closed although it looks as if exports may sag without the highly profitable import quotas.

KEY INDICATORS

WORLD COMMODITY PRICES

President Johnson's latest announcements on Vietnam helped to firm metal prices and tin stands £40 a ton higher than a week ago. Zinc, also affected by short supplies for early delivery, no longer seems likely to see an immediate lowering of producer prices. Cocoa declined again, to below 90s. The 5 to 10 per cent increase in grindings reported from the United States and Britain is not enough to help the market in the absence of agreement by producers to limit exports next year.

The all-items indicator fell by 0.2 this week (to July 14th).

	Index 1958=100		Percentage change on*	
	July 7	July 14	One month ago	Twelve months ago
ALL ITEMS	101·7	101·5	− 3·1	− 3·1
Food	97·4	97·0	− 1·0	− 11·3
Fibres	99·3	99·0	+ 0·6	− 5·0
Metals	188·3	169·4	− 15·6	+ 19·2

The Economist Commodity Price Indicator includes nineteen commodities weighted according to their relative shares of world trade in 1958.
** Changes relate to this week's figures, but these, except for the metal group, are provisional because quotations for tea and wool are not yet available beyond last week.*

Even so, the outlook for the current year is not too bleak. With measures already taken to reduce the import bill it should be possible to manage within the limits set by export earnings and drawings upon aid commitments. At least half of this year's Aid India Club pledge of around £400 million will be available for commodity purchases, providing direct relief to the balance of payments. But there may be temporary difficulties if receipts fall out of step with payments. With only a quarter of the $200 million standby credit negotiated in mid-March left unused, a fresh approach to the International Monetary Fund may have to be made.

The IMF is likely to be persuaded to bale India out again, but any help it gives will be made conditional upon a thoroughgoing review of long-term policies involving one way or another, all western aid-giving nations. Even if it is agreed that devaluation offers no remedy—the great bulk of both India's imports and exports might remain unaffected by the price changes—there will be pressure for more efficient utilisation of foreign exchange by relying more on the market mechanism.

In this matter Pakistan is sure to be held up as a model. Its finance minister, Mohammad Shoaib, has gradually liberalised imports while making them more expensive through tariff adjustments. For instance, an announcement earlier this month put more items on the free list and open general licence after the budget had sharply raised duties. Even capital goods have not escaped price increases, this being justified by the argument that investment decisions must be made more realistic in a sheltered economy.

Indians argue that the Pakistan parallel does not apply because the aid available to India is much smaller in relation to import needs. During the last six years, the proportion of Pakistan's imports paid for by aid was 54 per cent, against only 32 per cent in India. This largely explains why Pakistan has allowed its trade deficit to double in the past three years.

KRUPP

Into the Public Arena?

Frankfurt

GERMANY'S small investors will probably soon be able to buy shares in the Krupp concern, and the state will make the acquisition cheaper for them with a subsidy. The plan is still tentative, but stands a good chance of coming into being. It is the latest result of the Volksaktien (peoples' shares) movement, which has been popular in Germany for some years. The idea is to enable a large number of people with relatively small incomes to acquire shares. Previously, such Volksaktien were issued only when government-owned companies were transferred to private ownership: purchases by small savers of Volkswagen, Preussag and, more recently, VEBA shares were subsidised: buyers who could show that their income was below a certain limit got a substantial discount on the issue price, which had to be refunded if they sold the shares within a year of buying them.

If the federal government is now considering extending this procedure to purely private companies, one purpose no doubt is to help bring about the voluntary breaking up of share blocks and so counter tendencies to concentration. The Krupp project is expected to act only as a test case: if it is successfully carried out, efforts for the issue of Volksaktien from other private companies seem likely. Krupp would be an eminently suitable precursor. The attraction of its name is obvious. Moreover, Krupp's management is ready to listen.

The particular Krupp company that would be the object of the exercise is the Hütten und Bergwerke Rheinhausen AG. This firm, whose DM 320 million capital is all in Krupp's own hands, is shortly to take over the Bochumer Verein für Gussstahlfabrikation AG—whose DM 125 million share capital in turn is 75 per cent in Krupp ownership. The merger would present a particularly favourable opportunity to issue the Rheinhausen shares to small investors as well as to the free shareholders of the Bochumer Verein as was originally planned. For Krupp, this procedure would have the advantage of fulfilling the still existing Allied sales conditions for Rheinhausen, which has seemed practicable for years. The opportunity to raise further capital from outside must itself also tempt Krupp.

Critics object, however, that there is no point in subsidising a private concern's capital-raising with public money. There is also scepticism, in view of the very bad situation on the Bourse, whether investors are at all prepared to take up the shares. Still, a short time ago the very successful VEBA transfer to private ownership showed that the slogan Volksaktien has not yet lost its attraction.

GERMAN COAL

Holding Company to the Rescue?

Frankfurt

THE sad state of German coalmining recently led Herr Werner Söhngen, chairman of Rheinische Stahlwerke, to propose the establishment of a holding company for the industry. Each mining company would receive shares in the company in proportion to the value of its pits. Herr Söhngen suggested that this would make it more easy to rationalise production and close uneconomic pits than in the past. He suggested that all the subsidies that the industry gets to assist rationalisation should be channelled through the holding company.

The suggestion has got little support from the mine owners: and the government, understandably, is not attracted by the idea of being committed to large subsidies for longer ahead than at present. It would prefer to keep a free hand, and in any case sees the proposal to organise such a big industry into a single unit as fraught with problems. The mining industry's criticism is of another, but no less realistic kind. Coalowners fear, not without justification, that the end result would be complete nationalisation of the industry. Once the holding company was established, it would need only a stroke of the pen from any future government to nationalise the entire complex.

Still, the Söhngen plan is a symptom of the general pessimism about the industry's future. There are increasing signs that the industry's determination to go on producing at least 140 million tons a year cannot be maintained. This year's output is likely to be about 138 million tons, compared with 143 million in 1964. Domestic sales are lagging, and so are exports, especially to France, Belgium, Holland and Italy. This has caused pithead stocks of coal to grow from 6 to 14 million tons since the beginning of the year, even though the drive to close down unprofitable pits is in full swing and 5 million tons of annual capacity have already gone. Another 9 million tons of capacity is waiting to be closed down now, and beyond this closure is probable for a further 8 million tons, giving a total reduction of 22 million tons. But no real relief is expected from these measures; from the recent decisions to relieve the industry of certain social service charges and to alter the impact of taxes so as to encourage production of electric power from coal; or even from the voluntary restraint in which coal's competitor the oil business is now engaging.

The mining industry is now calling with growing urgency for even more state help in the form of stock financing assistance, short-term credit and export subsidies. The idea that mining should do more to meet structural changes in power production out of its own resources is seldom heard.

SHORTER NOTE

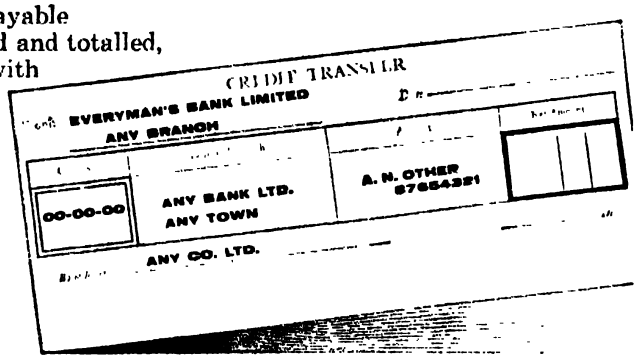
Two magazine publishers and a printing company have merged to form Germany's second largest publishing enterprise, out ranked only by the Springer group. The new company, Gruner and Hahr, represents the amalgamation of Henri Nannen and Constanze Verlag, the two publishers, with Gruner and Son, the printers. Their merger promises keener competition in German magazine publishing rather than a clash with Mr Axel Springer, who is primarily a newspaper publisher. The merger brings under one roof periodicals with a total circulation of some five million, among them *Stern* and *Die Zeit*. The group's annual turnover is expected to approximate DM 360 million (about £27 million)

—we pay ours by CREDIT TRANSFER'

Life is simpler for all concerned now that our weekly-paid staff have agreed to accept payment through the bank. For them, it means less likelihood of loss. For our cashiers' department, the hazard of moving large sums of cash is avoided. For our accounts department, it means just *one cheque, to cover the whole payment* — thanks to Credit Transfers.

HOW CREDIT TRANSFERS CAN HELP YOU PAY THE WAGES

Your accounts department makes out a Credit Transfer slip payable to each staff member through his or her bank. These are listed and totalled, and one cheque is made out. You then send this one cheque, with the list and the Credit Transfers to your own bank — who will then do the rest by sending out the various Credit Transfers to the banks concerned. The movement of large amounts of cash is avoided and clerical man-hours savings are immense. Exactly the same principle — and benefit — applies in the case of salary payments, of course.



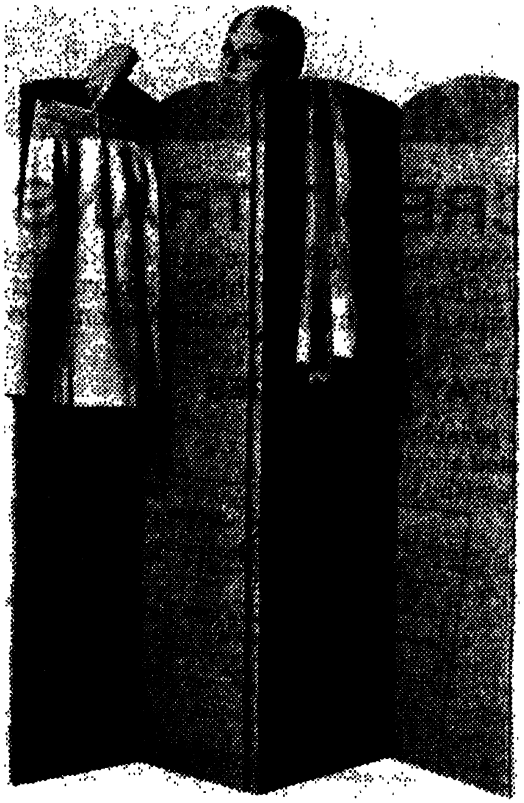
Ask your bank about

Credit Transfers

part of the comprehensive system for the transmission of money operated by the Eleven Clearing Banks

BARCLAYS BANK · COUTTS & CO · DISTRICT BANK · GLYN, MILLS & CO · LLOYDS BANK · MARTINS BANK MIDLAND BANK
NATIONAL BANK · NATIONAL PROVINCIAL BANK WESTMINSTER BANK · WILLIAMS DEACON'S BANK

Dear Marks & Spencer: It's time you met Evelyn Usher.



She's from Liverpool. She spends at least £30 every year on clothes. But she hasn't bought anything from you for months.

There are more than 5,500,000 women in Granadaland. Between them, they spend a fortune on clothes. About £150,000,000 a year.

Some of that business goes to you. But if you'd like a bit more, here's something to think about.

Five nights a week, most Northerners watch Granada Television. Advertisements and all. Interested?

GRANADA TELEVISION

No wonder she looks embarrassed. She hasn't been in one of your stores for three months.

BUSINESS □ BRITAIN

OVERSEAS TRADE

The Export Drag

THERE was, of course, some improvement from May's spectacularly bad returns: Britain's visible trade deficit in June was cut by £23 million to £33 million on a seasonally adjusted basis. But the improvement came entirely from a sharp drop in the import bill from May's artificially swollen level. Exports actually fell slightly, seasonally adjusted, for the fourth consecutive month: they are now running less than 2 per cent above last year's average. While sales to buoyant markets in west Germany and America have continued to grow, exports to Britain's other major trading partners have been sluggish.

Against this disappointing downward drift in Britain's sales abroad have been the gyrations in its import bill. First the American dock strikes and then the (expensive) advance warning of the first reduction in Britain's import surcharge have sent this country's imports rocketing up and down. In May imports jumped as goods, deliberately held back until after the end-of-April cut in the surcharge, came flooding into British docks. Last month, as expected, the pace of deliveries fell back to more "normal" levels: the £30 million drop to £471 million in imports from May to June was concentrated almost entirely in items subject to the surcharge.

The result, when all the ups and downs are averaged out, is not spectacular. For the first half of the year as a whole imports seasonally adjusted averaged just 1 per cent less than in 1964. In the more recent quarter alone, they were up 5½ per cent on January-March, a rebound that together with the slight slip in exports pushed up Britain's visible trade deficit seasonally adjusted to £40 million a month in April-June. This was not far short of the average deficit on trade in the fourth quarter of last year and implied a deficit on current account seasonally adjusted of some £70-80 million in April-June against a surplus of £6 million in January-March. However this is read—the Board of Trade hints that not the second quarter's but the first half's average should be taken as the guide—on the performance to date Britain's visible trade deficit is running at an annual rate of £300-400 million for the year as a whole. This would, certainly, be an improvement on last year's record £550 million. But not good enough yet.

STERLING

No Further to Fall?

ACTUAL dealings in sterling showed little reaction to this week's indifferent trade figures and outcrop of pessimistic press comment. Discussion of the remote possibility of devaluation may still be novel for the public print, but it merely repeats and reflects the reality to which international banking circles have accustomed themselves for many months. The easy explanation for this lack of response is that "there's no sterling left to sell." One needs to be instinctively wary about accepting this. Every Chancellor of the Exchequer since Stafford Cripps has been told by his advisers that a speculative drain has after all left sterling's technical position unusually strong, only to find that the world does find more sterling to sell or borrow when it comes to the pinch.

But this time it could be different. The sheer volume of the short position that has been built up is almost certainly unprecedented, particularly when the large forward sales absorbed by the authorities are taken into account. Market activity in recent weeks has been almost confined to this forward market, with nervousness being reflected in a few additional sales, often covering longer periods, and always being absorbed almost entirely by the authorities. But the fact that the nervousness has not been reflected in any new volume of spot sales does suggest that virtually all of those with sterling at hand have already made their dispositions. If this is so, it does constitute an important negative factor of comfort and strength.

There is one other negative solace that the exchange authorities can draw from the massive short position in sterling. There is little point in talking this year, as many commentators still instinctively do, about the coming seasonal strains of the autumn. Those strains arise not automatically from the movement of the earth round the orbit of the sun but from the fact that the third quarter sees large foreign spending on tourism and of purchases of commodities like wheat and tobacco. This year the tourists are still going and the wheat is still being bought—but the necessary foreign exchange for both has usually been laid in long ago. That is what a "lead" in the leads and lags consists of. There is no point in disguising the strains: and some new

KEY INDICATORS

THE BRITISH ECONOMY

OVERSEAS TRADE

Not good. Imports reduced from an artificially high May level, but exports fell slightly for the fourth month running.

STEEL

Output still high, underlying trend level.

	Month	Index 1958=100	Percentage change from: Previous month	Three months ago	Twelve months ago
Industrial production*	April	131	+1	—1½	+3
employment*	April	103·9	—0·3	—0·4	+0·4
productivity	April	126·1	+1	—1	+2½
Export trade*†	June	124	—1	—3½	+2½
Retail trade*	May	122	Nil	—1	+3
Unemployment*	June	76 6	+1·6	+0·8	—13·7
Wage rates (weekly)	April	127·0	+0·2	+10·7	+4·1
Retail prices	May	121·2	+0·4	+2·6	+5·0
Export prices	May	109	Nil	Nil	+2

* *Seasonally adjusted. Indicators of export and retail trade reflect movements in volume terms, i.e., in value at constant prices. Unemployment indicators refer to numbers wholly employed, excluding school-leavers. Total unemployment level in June running at an annual rate of 1.4 per cent.* † *Provisional.*

government measures are almost inevitable, if only as a gesture. But seasons now have little to do with it.

AUTOMATIC COALMINING

Experiment at Bevercotes

WHAT was only a gleam in the eye of the Coal Board's chairman two years ago was unveiled last week—still a gleam in his eye where it was meant to be a blazing beacon. But no matter, the experiment at Bevercotes Colliery in Nottinghamshire is quite some gleam. A pit originally designed for ultra-modern, mechanised production of 1¼ million tons of coal a year is being turned into the first completely automatic coal mine in the world. The original complement of 2,000 employees is being cut down to 770 and output per manshift increased from 3 tons to 8 tons. The capital cost of the pit has gone up by £2 million from the original £15-16 million, plus what Lord Robens calls "£2 million extra gear." The result of this enormous effort should be, for the Board, when the pit is producing (it was planned to start operations in March, then July, now October), greatly reduced production costs through more intensive use of the capital equipment; and for the men, improved working conditions, more comfortable and safer. Half coalmining accidents happen at the working face and one aim of the Bevercotes experiment is to mine coal from a distance of several hundred feet, by pressing buttons.

This is not so science fiction-like an exercise as it seems. The equipment has already been designed in the course of the Coal Board's great push on mechanisation; the extra push is in linking it all up for automatic operation. The place to start is at the face itself; the Board's ROLF (remotely operated longwall face) equipment has been tested in other pits for two years. The coal is ploughed off the wall by a mechanically operated rotary pick and dragged to the conveyor at the end of the face by an armoured flexible conveyor. Above it the roof is supported by hydraulic props. Where men used to operate the pick and advance the props to follow the face on the spot, the pick is now automatically steered by a radioactive sensing device and the props advanced automatically, shuffling forward one by one like an army of low-grade Martians. Everything else is linked in: cutting out the roadway that runs up to one edge of the face, dealing with the spoil and drilling the methane drainage holes above the worked-out face.

Transport of the coal by the pit's network of underground conveyors, through a bunker and up to the surface, is now controlled from one place where the movement of all the conveyors (and their state of repair) and the level of coal in the bunker is monitored. This central control room will also tell the ROLFs (there are five) what level of production is wanted. At the surface the coal is cleaned in an automatically-operated heavy-medium separator, crushed to the right size, blended to the specification of the power station that Bevercotes is intended to supply and automatically loaded onto merry-go-round trains that run continuously to the station. Thus nowhere are the workers used for their muscle-power—at an investment of £23,000 per man it would be rather a waste. Instead, if all goes well, they roam around in teams, directed from the surface to places where there is trouble, or taking the unwieldy ROLF equipment apart and putting it together again somewhere else.

Lord Robens's Shangri-La

BEVERCOTES will be an impressive achievement—how impressive in its effect on the Coal Board's finances remains to be seen, although Lord Robens himself has no doubts. Already, he says, the productivity of the ROLF equipment has been increased by 40 per cent through automatic working; "Bevercotes will be a very profitable pit." Almost certainly, given the present high prices for coal, but Lord Robens does not say whether it would give any margin for price reductions. Moreover, the full savings will not be available to all pits: few have the advantages of Bevercotes' favourable geology and 100 million tons of reserves. However, the techniques worked out in Bevercotes can be applied in part anyway to many other pits, perhaps even leading to operation of the ROLF in pits with thin seams, and the Coal Board hopefully estimates that the fully automatic system itself could be accounting for 100 million tons a year in ten years' time.

One suspects, though, that there are other motives for the exercise beside the purely economic ones. For one thing, there is little in favour of a crash programme if it had only technical and economic ends: it is bound to be more expensive and the results may well have suffered from the haste. But Lord Robens is quite as concerned to turn coalmining into a modern industry: coal's archaic image must be a burden in fuel policy negotiations, let alone recruiting, and a mine which is entirely automatic is a first class piece of public relations. Lord Robens is also deeply concerned with the reduction of accidents; and this may well have led him to too rigid an insistence on removing men from the coal face. For the 40 per cent increase in production from the ROLF equipment has yet to be demonstrated. Meanwhile, the chances of things going wrong grows with the complexity of the equipment: a man on the spot can always kick aside fallen rock that might lead to a breakdown. Moreover, the last 10 per cent of any technical improvement is generally attained at greatly increased cost—and may also, perhaps because less easily attainable, be rather too attractive to the engineers.

STEEL PRODUCTION

Growth Slackens

PESSIMISTS examining the entrails of British industry for auguries of an autumn recession should be coldly encouraged by the steel production figures for June. For, if one were looking for trouble, this could be the beginning, as the boom in steel production shows signs of levelling off. Production of crude steel in June averaged, seasonally corrected, 522,600 tons a week, 2 per cent more than May and 3½ per cent more than the year before. This still showed an increase but pessimists will note that it is at a rate well below the upsurge that carried over into the first months of this year. The 7½ per cent increase in the first half year's production, 14.1 million tons (another record; perhaps the last in the present series, until the next cycle), over last year came mostly in the early part of the year: the second quarter's production increase of 3½ per cent over the year before followed the first quarter's increase of 10 per cent.

This is a long way from a downturn, but it is the sort of movement one would expect to presage one. The question for the industry is: when does a slackening in the rate of increase become a drop in production? Industry sources indicate that order books are presently full enough to carry through the next quarter. Moreover, there is no great weakness in the level of stocks—they have been increasing at no more than the rate of production generally. But the Chancellor's efforts to throttle down home consumption must begin to bite some time, having been masked—for the steel industry anyway—by inertia and the import surcharge. Thus, the next quarter, for all that it will be seasonally affected by holiday working, is unlikely to show much of a drop; but it may well show little if any increase over the third quarter of last year. By the fourth quarter, however, the weakness in home steel usage should have worked through to the production end of the line, and steel production could be quite sharply down.

BUILDING

The Downturn Discerned

A CUTBACK in building activity has been anticipated for months; but the first indication of an impending downturn is the National Federation of Building Trades Employers state of trade enquiry at the end of June. Of the 500 companies in the sample, 149 (compared with 94 three months ago) now expect to complete less work this year than last. The gloom is mainly among the small and medium sized companies, but, of the 58 in the survey that employ more than 500 men, 12 expect to do less work and another 25 to do the same as last year. That private house-builders have had to cut back their optimistic fore-

costs for new building this year to avoid last year's rate was already known; so was the reduction in office building after the ban on development in London. But the indicators for other forms of building have remained buoyant; even in April (the latest month for which figures are available) orders for new work were still flowing in. The total value for the three months ending in April was £830 million, and the seasonally adjusted index of the volume of orders was up nearly 3 per cent on that for the three months ending in March.

Companies in the Federation's sample also reported that competition for contracts was more cut-throat than ever. This is probably another indication that demand is slowing down. But some companies still expect to do more work this year than last. Construction work this year may not reach the heights once expected, but it is unlikely to fall below last year's volume (£3 million at constant 1958 prices). Next year's outlook, however, looks distinctly bleak.

PARKING IN LONDON

Pricing Does Work

DURING the last two months, since London parking meter charges were raised to 6d for 15 minutes in the central area and to 6d for half an hour a little farther out, instead of the 6d an hour everywhere meters are installed, it has at last become possible to drive into Mayfair and St James's and find a fair sprinkling of vacant spaces at meters. The price has been raised nearer to the marginal utility of parking to most motorists; so the price mechanism is doing its job of allocating the scarce resource of parking space to those willing to pay most for it. One stupidity remains, affecting rational allocation of parking space, and further encouraging congestion on the roads: meter feeding is still prohibited, and the occupation of parking space for longer than two hours is illegal (even though both happen on a fairly wide scale). Because the Ministry of Transport believes it is better for eight cars to occupy a parking space for one hour each than for one car to occupy it for eight hours, London streets have an extra floating population of cars cruising about on the chance of finding a meter whose parker has just got to go; in America they call this procession of hopefuls "mobile parking." Is it better for them to travel hopefully than to arrive at the conclusion that they probably won't find a space? Who can say? But one can say that it probably means a good many more cars on the roads.

Mr Gabriel Roth is not the only economist anxious to widen the application of the price mechanism to the use of the road system, but he is certainly one of the most tireless in propaganda on the point. His new Hobart Paper *Paying for Parking** discusses various ways in which existing meter systems can be improved. For example:

1. **Meter issuing tickets** to be stuck inside car windscreens (as used in Newcastle and other places), or **personal parking meters** giving a fixed number of hours parking, which would run down whenever switched on, and when "empty" would have to be renewed at a special office, on payment of the required parking fee. These would avoid the unsightliness, and wasted space, of kerbside meters.

2. **Householders' meters** for residents. You would rent the metered space in front of your house by the month or year: but this would entitle you to a key, and the right to empty the cashbox of the parking meter in front of your house. So casual users could use it when you were away: when you wanted it yourself you would be allowed to "hood" this meter and reserve it for your car only. As for which residents should have the meters in front of say a block of flats, put the right up to auction. (This ingenuity shows a devotion to the market mechanism unparalelled since one of Britain's leading economists, thinking about insuring himself on a flight to India, asked his wife at what level of benefit would she be indifferent to his death.)

Mr Roth argues sensibly that to use meter rents to bring down the price of offstreet parking (as local authorities are expected to do under present law) would be self-defeating. Local authorities should ensure that in city development space is left for parking facilities; but leave the commercial provision of them to private enterprise. They should also push up street parking charges to levels that make it commercially worthwhile to run offstreet garages without subsidy—and incidentally, if congestion through car commuting increases in or on the fringes of the city, should also discourage property developers from providing garage space free inside their new buildings.

*Institute of Economic Affairs, 6s.

DIESEL ENGINES

Who's Going to Buy Them All?

THE new factory at Darlington owned together by Chrysler and Cummins, the American diesel-engine makers, was formally opened this week. It is one of the handsomest factories to be built recently in this country: deep purple brick, a lot of glass, crisp and unfussy finish—and an elegant 90 foot tower brooding over the single-storey factory: a product of the late Eero Saarinen's studio. It will within a couple of years make 30,000 engines a year: they are V-6s and V-8s, light weight, high revving—with a maximum speed of over 3,000 r.p.m. They are at the lighter end of Cummins' range, delivering between 140 and 225 bhp. They are not being made in the United States, where Cummins feels that the market for such relatively small engines is not big enough.

Up to a third of the production is scheduled to go into Dodge trucks (formerly Chrysler-owned, recently sold to Rootes) and presumably more will go into Rootes' own Commer trucks: Ford may want the engines for a range of heavy vehicles now under development. More engines will be exported direct to Europe and the United States—and sold to British customers now using Leyland or Perkins engines—as Dodge has done in the past. The same sort of pattern may emerge when the plant now being set up by Cummins in conjunction with Jaguar comes into operation. This will make a bigger range of V-6 and V-8 engines of above 200 bhp; the tied customers here being Guy trucks and Daimler (buses), both owned by Jaguar.

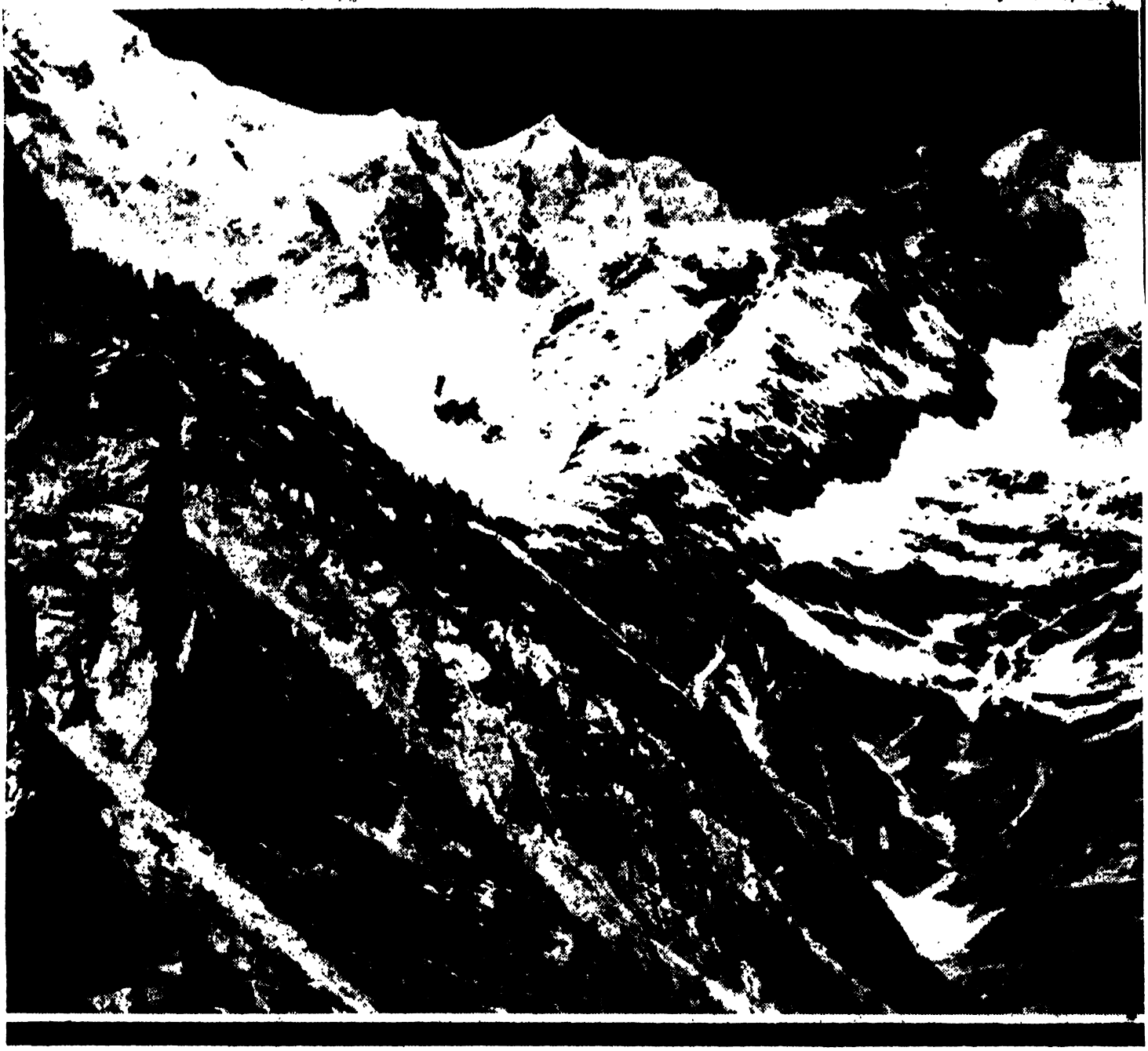
All this activity leaves a number of queries. Perkins is certainly not going to stand still: it had already lost one customer when Bedford started to make heavier engines, then Ford, now Dodge. It is likely to fight back with another V engine. There are also the British companies, the small Gardner and the giant Leyland. Gardner makes small, reliable engines and is clearly in danger; average power requirements are rising, as are numbers needed—and Gardner's has not expanded enough to keep pace with its customers.

Leyland's new plans emphasise that it is going to keep the Leyland and AEC names—and to a lesser extent Albion—as competing entities. Not, like Austin and Morris now are, with indistinguishable products, but with a wide variety of one-off designs. The number of common components will increase, and this present expansion has been a convenient time to sort out what size of gearbox, for instance, each factory will specialise in. An obvious guess would be that in the future Leyland's two factories might produce widely different engines—to keep in with the Leyland motto of supplying an infinite variety of models. But Leyland's strength will grow in one sense with the new competition; the company is only too happy to sell to competitors other bits of transmission steering or gearboxes which it alone in the country is in a position to mass-produce. Although Ford and General Motors, as well as Chrysler, are clearly out to make Britain a world centre of truck production, they will not for a long time have rates of production on the heavier vehicles high enough to make production of many of the parts themselves economically viable—which means more customers for Leyland.

NETWORK ANALYSIS

The Progress of PERT

ONE thing became clear during the one-day symposium on network analysis held at the sprawling Keele University this week; the use of PERT by British industry is rapidly increasing. PERT—Programme Evaluation Review Technique—is an American system of arranging interdependent activities in a complex production exercise into a sequence that minimises delay costs. It involves a detailed breakdown of pro-



The opening of the Mont Blanc road tunnel—the world's longest short cut—brings the cities and towns of Europe closer together. The trader, the tourist, and the businessman—all benefit from this new highway through the Alps. For centuries this project has been a challenge to tunnel builders. The tunnel was driven from two sides: Entrèves in Italy and Chamonix in France. Both teams met unpredictable problems. But the bad rock on the Italian side faced the contractor, Società Italiana per Condotte d'Acqua, with additional hazards. Huge water pockets, cave-ins and avalanches tested his men to the limit of human endurance. Skill and courage brought the Italian crews their magnificent reward when they greeted their French colleagues at the breakthrough in 1962. Throughout their task they used Atlas Copco compressed air equipment and Sandvik Coromant drill steels.

GROUP HEADQUARTERS · ATLAS COPCO AB · STOCKHOLM · SWEDEN · SALES & SERVICES IN OVER 100 COUNTRIES

A triumph of skill and courage

MONT BLANC TUNNEL

another success for Atlas Copco and Coromant

WCW 20

Atlas Copco light rock drills allowed the tunnellers to easily adapt the drilling to suit the varying rock conditions.

Atlas Copco

puts **compressed air** to work for the world

duction methods before a network can be drawn and calculations of the time and/or resources needed can be programmed on to a computer. The computer bureau of English Electric-Leo-Marconi Computers Ltd. organised the symposium for fifty of its customers; it says the number of PERT jobs handled at the bureau increased by 50 per cent between the second half of last year and the first half of this one (though it won't give any figures). PERT users represent only a fraction of the 600 firms using the bureau, but English Electric say that the size of the PERT projects they are handling has also jumped. Last year their networks contained an average of 300 to 500 activities (an indication of a network's complexity) with the largest consisting of 1,000 activities. This year the average is between 500 and 1,000 activities and the largest just processed this week has 4,300 activities. So far, PERT seems to have found most favour in the construction and building industries, and an interesting network for producing budgets for building site control was one of those described. But the most advanced network presented was developed by the engineering services of the Shell Chemical Company. This network is split up into sections or "modules" that can be used in block form whenever a similar network is required. Shell used the example of the construction of chemical plant which the company put up around the world. The "modules" in this instance are the particular items of plant, such as pressure vessels, which are standard; only the total layout of the plant varies from place to place. The same principle is clearly applicable to other industries where certain parts of the production process are repeated even though the end result may differ—such as shipbuilding, or housing estate construction.

PORTABLE MOTORS

Power Without Strings

For a change, a British company has collared an American invention and is developing and marketing it around the world—instead of the other way around. G. N. Bridges, who made his name producing portable electric power tools complete with all the attachments for the "do it yourself" industry, has bought the world rights—outside North America—for the development and sale of a tiny 1 horsepower petrol engine weighing only just over 3 lb. The motor is imported and the gear box and carrying frame plus fittings are made here. The unit weighs 7¼ lb complete with 1 pint of fuel which keeps it running for an hour—this compares with the 6½ lb two-speed portable electric power unit already produced by the company. The irony of the development lies in its offering a real competitor to the mushrooming range of electrically driven tools, just as they were getting down to competing with petrol engines for things like lawn-mowers. The choice between the noise of a petrol engine and the inconvenience of pulling around (and occasionally cutting) your flex will be a nice one. Judging from the rate at which the motors are coming into this country there is a prospect of a fine tussle ahead.

Can Nuclear Costs Beat Oil?

When the Minister of Power announced in Parliament that one tender for a British advanced gas-cooled reactor offered electricity generating costs significantly lower than those for coal or oil power stations here, he did not quote actual figures. Published estimates for power costs from this version of the AGR have varied from 0.43d. to 0.49d., against 0.54d. for coal. No figures have been quoted for oil; and it may be that Mr Lee's comparison was with oil stations theoretically at least paying £2 a ton fuel oil duty. But this cost comparison has stirred Professor Morris Adelman, of the Massachusetts Institute of Technology, to write to The Economist *arguing that the Central Electricity Generating Board ought to be able to match the AGR costs now prophesied quite comfortably with power from fuel oil—if only it could manage to buy its oil at the going price in the world market. Professor Adelman's arguments are characteristically precise:*

"Your news item on the Dungeness reactor did not make clear what price of conventional fuel would yield approximately the same cost of power. The table alongside uses alternative assumptions about capital costs and capital charges; operating and maintenance costs and the heat rate are as estimated by Mr Philip Sporn, in his testimony last year to the US Congress, Joint Committee on Atomic Energy. The implied fuel prices which would just equate with the Dungeness reactor can then be derived. Moreover, given the Ministry's reported assumptions as to the cost of power in an oil-fired plant, their implied estimate of oil prices, currently and in 1970, are derived in the four lowest lines.

"Heavy fuel oil prices at Channel ports over the past five years have in fact been within $12.50 and $13.50, and are now at the bottom of the range. Why they are so much higher in Britain is an interesting question. The Ministry of Power assumes that they will be somewhat lower in 1970, but still far above open market levels. Perhaps this assumption is based upon some body of fact and logic, so far not revealed.

"It is of course true that taxes to protect coal make the price of heavy oil to the consumer considerably higher than those in the table, but if coal is to lose its electrical generating market anyway, the tax on oil will disappear. In any case, a choice for government policy cannot assume a tax as given, since a government creates it."

COMPARATIVE COSTS 1970—DUNGENESS REACTOR AND OIL-FIRED PLANT

(in mills (0·1 cent US) per kwh, unless otherwise stated)

	ITEM	VARIANT I	VARIANT II	VARIANT III	VARIANT IV
(1)	Total power cost, Dungeness	5·20	5·20	5·20	5·20
	Oil-fired plant:				
(2)	Capital costs	1·95	1·10	2·07	0·97
(3)	Operating and maintenance costs	·30	·30	·30	·30
(4)	Sub-total	2·25	1·40	2·27	1·27
(5)	Fuel cost of oil-fired plant competitive with Dungeness (line (1) less line (4))	2·95	3·92	2·93	3·93
(6)	Heat rate, BTU/KWH	8,650	8,650	8,650	8,650
	Implied fuel oil price:				
(7)	cents US/million BTU (line (5) divided by line (6))	34·1	45·3	32·6	44·1
(8)	dollars/metric ton	13·61	17·30	13·03	17·61
(9)	Ministry of Power assumptions for an oil-fired plant	6·18	6·18	5·90	5·90
(10)	Implied fuel cost (line (9) less line (4))	3·93	4·78	3·53	4·53
	Implied fuel oil price:				
(11)	cents US/million BTU (line (10) divided by line (6))	45·5	51·3	40·8	51·0
(12)	dollars/metric ton	18·18	22·10	16·30	20·35

NOTES.—Variants I and II assume total power and capital costs given in *The Economist*, May 29, 1965, p. 1060 ($95/KW 75 per cent plant factor) and capital charges of 13·5 and 6·3 per cent respectively. Variants III and IV use Ministry's estimate of total power costs for an oil-fired plant in 1970, as reported in *Platt's Oilgram News Service*, May 27, 1965, p. 3. Both assume 80 per cent plant factor. Variant III uses a 13·5 per cent capital charge. Variant IV, 6·3 per cent. The heat rate, operating and maintenance costs, and 13·5 per cent capital charge, are from Mr Philip Sporn, American Electric Power.

BUSINESS □ INVESTMENT

STOCK MARKET

A Wintry Summer

DISAPPOINTMENT awaited those who were expecting the trade figures, well-leaked for the second month running, to prove either that (if they had been good) the market had seen bottom or (if bad) that we were immediately in for a more ferocious decline. So the market continued its gentle drift on Wednesday and Thursday: earlier it had staged a technical recovery which had taken *The Economist*-Extel Indicator 7 points above the low for the year which it had reached ten days ago. There is no sign of a revival in demand for equities. Nor is there any sign of relief for the longer-dated and un-dated gilt-edged—War Loan 3½% is still drifting at about 51¼, its low for the year, but the yield of 6.8% is less than a point above the average for equities. The absence of foreign money, and the competitiveness of building society rates are also reflected in weakness at the shorter end of the market. The flood of new fixed-interest issues includes some extraordinary ventures discussed below, which must be the product of corporate near-desperation. In the present situation there can be little prospect of any rise in either fixed-interest or equity markets without some unexpected—and pretty powerful—psychological or economic boost.

Nor has there been any activity of significance in the bid-and-row business. The Harvey-McWatters clans gathered last weekend to discuss the proposed bid from Showerings (Babycham, Cider, British wines, Britvic fruit juices) for the Harveys business—of which the intertwined families apparently hold only about a third of the shares. The Harveys board is now on the defensive, the expected counterbids having failed to materialise, and, is now waiting for the formal bid to be put to shareholders—its restrained attitude to what cannot have been a welcome bid has so far been a model for companies with less than Harveys pride and 190-year-old independence. With the likelihood of success for the bid on the present terms increasing daily Harveys shares, which had bounced up last week to 20s. 6d., 2s. above the bid, were down to 17s. 10½d. by Thursday evening—below the bid for the first time.

The only development this week in the British Printing Corporation boardroom dispute has been the issue on Tuesday by the rebel directors of another formal demand to the board to call for an extraordinary general meeting. The previous demand was not requisitioned by 10% of the total voting capital (which includes the Preference capital); this one is. Mr Wilfred Harvey's formal reply is being drafted by Sir Dingwall Bateson, his legal adviser, and will probably be sent out next week. The share price has been upset by the boardroom quarrelling and is down to 18s. 3d., 2s. below the level before the dispute broke out.

FIXED INTEREST ISSUES

Index Linking Comes to Britain

THE pressure on the new issue market continues unabated and there are signs that even the present high interest rates are not proving high enough. This week the £3 million issue by Maidstone Corporation of 6¾% stock 1979-81 issued at £99½ failed to attract many buyers and 88% of the issue was left with the underwriters. Although comparable stocks do not offer as high a running income yield the price settled down at a discount of ¾.

Borrowers faced with these difficulties are adopting new tactics: South Staffordshire Waterworks put up for tender £1.2 million 7% preference shares at the end of June hoping to attract the net funds and companies with the franked income offered by preference shares; it sold only half the stock on tender. This week the second stage of its borrowing comes with the placing of £1.8 million 7% debentures, which will attract gross funds with their unfranked income. Such double issues, aimed at two types of buyers could well become more common now, although the failure of the first part of the South Staffordshire operation emphasises how carefully the amount to be raised as well as the yield must be matched to the market.

Bandar Properties, a company converting itself from an Indonesian rubber producer to a property investment company, has produced a novel variable rate debenture in its efforts to squeeze money from the market. The debenture is to be issued at par next week and has the high coupon of 8%; in seven years' time, and thereafter every seven years until redemption in 1986-88, the redemption price and the coupon will be raised in line with the rise in the index of retail prices, subject to a limit of £125 and 10% respectively. This system is interesting, since interest rates are not simple functions of the cost of living; in seven years' time, if prices rise at 3% a year compound, the stock will be fully revalued; but if interest rates on a comparable ordinary debenture are below 10%—perhaps they will be below today's levels too—the Bandar stock will rise to well above 125 until its redemption yield is in line with the average. This year's buyers could therefore realise a very good capital gain in seven years' time. The company though will obviously have paid a very high price for its money, and this may deter other borrowers. But with prices rising 3% a year even this dear money could gear equity earnings favourably over 25 years.

The Amey Group—a fast expanding quarrying and construction materials business is to raise £1½ million by a rights issue and nearly £½ million by—remarkably—a preference share issue. At 10s. the new shares will yield 5% and the 7% preference shares, to be issued at 19s. 3d. will yield 7.2%. Grossed up to allow for a 40% corporation tax the costs to the company becomes 8.4% and 12% respectively. This is a very high price to pay, but the balance sheet for the year to December 31, 1964

KEY INDICATORS

MOVEMENTS ON THE WORLD BOURSES

LONDON
Dreary, in line with trade figures.

NEW YORK
Recovering in quiet holiday atmosphere.

ITALY
Another erratic recovery.

	INDICES *		Percentage change from :		
	July 7 †	July 14 †	A week ago	A month ago	A year ago
London	362·9	366·6	+1·0	−4·6	−12·7
New York	870·8	883·2	+1·4	+1·7	+ 4·7
France	88·0	87·0	−1·1	−3·5	− 7·3
Germany	91·8	93·5	+1·9	−1·9	−11·2
Holland	331·4	331·5	...	+0·4	− 0·4
Italy	52·3	53·4	+2·1	−2·6	− 3·4
Belgium	124·9	125·3	+0·3	−2·1	− 2·4
Sweden	254·5	258·4	+1·5	+1·1	+17·5

* For Bases and Stock Prices and Yields see pages 293 and 294.
† London, July 8th and 15th.

shows current liabilities as £2.1 million and cash as £4,000, although a debenture issue had raised over £½ million in April. The company, which had a trading profit of only £1½ million last year, is very hungry for cash. No doubt the bankers are too.

A 10% coupon appears on Warwick Engineering's debenture to be issued at 105; the running yield will be 9.6%. But since the loss to redemption will presumably be set against the investor's realised capital gains, the "net" price is just under 103 and the yield rises to 9.7%. And the company is also planning to raise more equity capital.

WALL STREET

War's not so bad

New York

THE stock market in recent trading sessions appears to have thrown off much of its war jitters. Despite the continuing flow of news about the nation's deepening involvement in South Vietnam, most investors seemed to be assessing the developments there more calmly. Thus quieted, they were finding more reasons to be heartened by events on the domestic economic front as well. Contributing greatly to the changed mood, without a doubt, has been the renewed surge of glowing corporate reports, this time recording sharp second-quarter earnings gains: among the giants issuing early reports, General Electric and International Business Machines each reported record earnings for the second quarter and the first half. National economic statistics also have remained highly satisfactory. Gross national product for the second quarter, for example, rose a seasonally adjusted $9.2 billion to a record annual rate of $658 billion—substantially smaller than in the first quarter, but still satisfactory in view of the abnormally large rise in the first quarter that had resulted from steel stockpiling and auto purchases deferred by last autumn's strikes.

But the most significant single factor was the market's adjustment to the situation in Vietnam. Some brokers thought it was simply that investors were getting used to the war news. Others, however, said they sensed a growing recognition that it would result in increased federal spending. "A limited war that doesn't bring manpower and material shortages and controls can't help but improve earnings," said one Wall Street analyst. At any event, prices on the New York Stock Exchange, as measured by the Dow Jones industrial average rose on balance by 12½ points to 883.23 in the week ending on Wednesday: and of that increase, the average gained 6.26 points or .071% in Wednesday's session alone. The volume of trading continued on the lacklustre side, nurturing the general view that the gradual recovery more aptly reflects an absence of emotional selling by individuals, such as beat down stock prices in the May-June selling flurries, than a positive show of institutional buying strength. Many individual investors also have gone off on vacation, removed from broker's boardrooms and telephones, an exodus that contributes at least to the appearance, if not to the substance, of serenity.

JAPAN

How Much More Support?

Tokyo

ALTHOUGH they fear to admit it openly, Japanese financial authorities are very seriously considering the possibility that over the next few months, or perhaps weeks, further amounts of between £100 million and £300 million may have to be poured into the Tokyo stock exchange to keep the Dow-Jones average from plunging below the 1,000 mark. Already this week, some £60 million of securities have been bought by official funds from contracting unit trusts, with virtually no effect on the general price level. Some of the Bank of Japan and Finance Ministry executives are resigned to permitting the Dow Jones to dip below this psychological level without resorting to any more massive support. But the majority, though they may not be actually adding up the total amounts considered necessary to do the job, are themselves convinced that something must be done to hold the 1,000 line.

Those in favour of stopping the market's fall somewhere above 1,000, have been pointing out that the Bank of Japan has sent a grand total of more than £280 million into the market since support measures became necessary. It is now accepted in more pessimistic financial quarters that everything possible must be done to keep a panic from developing. More "optimistic" financiers, and their numbers are growing fewer every market day, claim they simply will not go along with any more palliatives because they have already reached the conclusion that the exchange will level off soon and that "even if the market plunges out of sight, Japan doesn't need one anyway."

Fortunately, there appears to be no important group of Japanese financial experts ready to see the stock market disappear. It is accepted that Japan must save the market from itself to maintain confidence in the nation's economy, both at home and abroad. This is why the top executives of the Bank of Japan and the Ministry of Finance, fearful of a snowballing situation, are pressing the city banks to institute organisational reforms, provide selective loans to staggering segments of industry, and help promote exports through easy credits. Working in support of the Bank of Japan, and the Ministry of Finance, and, of course, industry in general, is the Ministry of International Trade and Industry. MITI officials are pressing down hard, despite the opposition of the underpaid and understaffed Fair Trade Commission, to force business executives to create industry-wide anti-depression cartels for the purpose of slashing inventories, curtailing production and cutting costs.

Cure by Cartel?

ON Monday the presidents of Japan's "big six" steel companies agreed to cut production schedules for crude steel by 10 per cent and to reduce equipment investment plans. Since the agreement is almost certain to result in a tightened domestic supply—the agreement also calls for boosting export goals—mounting inventories are expected to fall and local prices eventually will rise. MITI officials have already received the promise of Prime Minister Eisaku Sato that the FTC's cautious anti-monopoly law will not be permitted to stand in the way of recovery measures. In addition to the steel industry, MITI hopes to enforce "voluntary" cartels among the leading companies in the fields of cement, paper-pulp, cameras, synthetic fibres, automobile tyres, light electrical goods and machine tools.

After months of trying, the hitherto ebullient Japanese government is beginning to understand that the short-term recovery measures are much too small and lack the bold approach that is obviously necessary. Steps to increase the speed of public spending, to expand the shipbuilding programme, to increase credit volume by lowering reserve requirement ratios and to lower interest rates (the discount rate of the central bank has been reduced three times, by Yen 0.003 per Yen 100 per diem or about 1% per annum in all) have not yet made even a small hole in the excess capacity and overproduction of top-heavy industries. In similar setbacks in the past, the trading companies were always ready to bail out their subsidiaries when financial difficulties reached the swamping stage. But today's uneasy trading companies, faced by ever-increasing credits frozen at bankrupt concerns, surprisingly are placing greater emphasis upon increasing their profits rather than sales. The massive trading houses are being more selective in their financing, sometimes backing up their smaller subsidiaries and other times abandoning those with extensive deficits.

Sohei Nakayama, President of the Industrial Bank of Japan, expressed the feelings of his fellow bankers when he admitted on July 11th that the recession is "really serious." He also joined most of his weary associates in rejecting the unreasonable argument that the economy is heading directly towards a panic. The new programme, roughly similar to that already proposed by various government ministries and most likely to be accepted in the main, is expected to work, but not for some time

CHUBB

Safe—But Not Recession Proof

NOW that Associated Fire Alarms' difficulties are known, it is obvious why Chubb did not go ahead with its offer to inject cash into the company and take over

Continued on page 278

CASE REPORT BY AIR CANADA:
How Air Freight can pay you dividends.

High-speed airlift smooths out wrinkles in cosmetic test market

A major Canadian cosmetic firm planned construction of a subsidiary plant in the UK. Because demand for each product was completely unpredictable they decided to carry out extensive test-marketing. To do this satisfactorily they had to utilise the speed of air transport. The saving in capital costs more than repaid the Air Freight charges.

Economic sense: Whether you're already in an overseas market or just want to sound one out, think about Air Freight. Chances are that in the long run it will prove more economical than surface transport. Recently we prepared a 4-page summary of an independent survey on the uses of Air Freight. It shows how a wide variety of goods, from heavy machinery to fruit and flowers, can be shipped more profitably by air. It tells you much more than we can here. Why not write or phone one of the addresses below and ask for a free copy?

About Air Canada: Air Canada has unrivalled experience in shipping freight to, from and across Canada. We were first to introduce giant DC-8 freighters on transatlantic routes. Today we fly from more cities in Europe to more cities in Canada than any other airline. Our unique freight-handling service at Montreal and Toronto speeds your goods to over 35 cities throughout Canada, and 7 key points in USA. With BOAC we fly daily from London and Prestwick and frequently from Manchester and Shannon. No other airline knows and serves Canada so well as Air Canada.

AIR CANADA

39 DOVER STREET, LONDON W.1. MAYFAIR 8292 · ST. ANDREW HOUSE, 50 SAUCHIEHALL STREET, GLASGOW C.2. DOUGLAS 1511/6 · MANCHESTER: CENTRAL 8882/3 · BIRMINGHAM: CENTRAL 4515/6 · LEEDS 20628

INTERTEL PRESENTS

GROWING UP — GROWING OLD

CHILDREN OF REVOLUTION
Young People in Czechoslovakia, ITV, Wednesday, 21st July, 9.40 p.m. A Rediffusion London production for Intertel.

TO LIVE TILL YOU DIE
Old People in Sweden and Italy, ITV, Wednesday, 28th July, 9.40 p.m. An American production for Intertel.

Intertel is a project for international understanding through television initiated by Rediffusion London. This year it won a Peabody Award, America's premier television trophy, for its contribution to international communications. Intertel's full title is the *International Television Federation*. Its members are National Educational Television and the Westinghouse Broadcasting Company of America, the Australian Broadcasting Commission, the Canadian Broadcasting Corporation and Rediffusion London.

Rediffusion London recently won a Silver Plaque at the Berlin Festival for "Prisoners of Conscience", a "This Week" report on political prisoners.

REDIFFUSION LONDON

THE SOUNDEST INVESTMENT IN BRITAIN TODAY—BUILDING SOCIETIES

BUILDING SOCIETIES exist to help more families own their own homes. They do this by encouraging more people to save with Building Societies.

Money put into a Building Society is money put into Britain's most secure form of investment: houses – bricks and mortar.

That is why there is no sounder investment. But consider the other advantages as well.

You get a good rate of interest.

Building Society investment is easy and convenient. Your money is always available £ for £ at short notice. And income tax is paid by the Society.

Also you can save in the way that suits you best: by lump sums, when you can afford it or by regular payments.

If you do not already save with a Building Society, why not join a regular saving scheme, say £1 a week? In this way you usually earn a higher rate of interest.

Some people have been unlucky in trying to get a mortgage recently. But this is only a temporary situation due to the credit 'squeeze'. Don't forget that those who save with a Building Society are given priority for a home loan when funds are tight.

Almost everyone can benefit from saving with a Building Society. It's the soundest investment you can make.

Why not find out more about it?

Write for our free booklet giving you advice on saving and borrowing – and a list of the 320 member societies. Send a post card to the address below.

MONEY & HOUSES

THE SECRETARY, (DEPT EC.4),
THE BUILDING SOCIETIES ASSOCIATION, 14 PARK STREET, LONDON, W.1.

PROFITS AND DIVIDENDS

Turndown Postponed

AT 5.9% the yield on *The Economist*-Extel share indicator now stands at its highest level since midsummer 1958, before the expression "cult of the equity" made its return to the postwar stock exchange. True, interest rates now are higher than they were then. Indeed the reverse yield gap had not appeared in 1958: yields on gilt-edged were lower than on equities. Yet the level of the dividend yield can fairly be taken to indicate a greater degree of apprehension about stock prices than Throgmorton Street has experienced for some long while.

This can be rationalised in part by fears about the trend of dividend payments. Companies whose accounts were analysed in this office in the second quarter of this year recorded on average dividend increases of a tenth. Dividend cover rose, for the fifth quarter in succession. But the dividends of these companies were still covered no more than 1.9 times, far less than in the late 1950s. Under corporation tax this degree of cover may simply not be enough. And, with a recession predicted on all sides, if not visible yet, and a credit squeeze under way, some dividend levels may be in danger.

Otherwise, published company accounts provide little nourishment to fears of recession. Equity earnings in the accounts published in the second quarter rose 15.2%. This compares with 22.5% for the first quarter, which is specially weighted by the steel companies. It compares with an increase of 16.6% achieved by roughly the same batch of companies in their published results a year ago. In the comparable quarter of the previous cycle, the second quarter of 1961 (i.e. accounts published in the three months before the Selwyn Lloyd emergency budget), equity earnings rose 5.1%, against 26.1% shown in accounts published a year before than. Clearly in terms of company earnings at least, the history of 1961 is not repeating itself. Even over the four years as a whole, for which the companies reporting in the first quarter have managed a miserable 1½% rise in equity earnings, "second quarter companies" have done much better, producing a rise of 24% over the period, or an average annual rate of increase of about 6%. And the second quarter companies are not only more numerous, but also more representative than those reporting in the first quarter.

The rise in trading profits of 13.8% is smaller than in the last two quarters (22.2% and 17.5%) and in this sense, company profits are evidently levelling off. But again the rise this time last year for these companies was only 13.3%. In the second quarter of 1961 the rise was 6.8%. Perhaps therefore the company profits cycle this time is actually four and a half years in length, rather than four.

The evidence of statements from public company chairman and surveys conducted among businessmen all seem to indicate that in the majority of companies profits currently are still running above previous year's levels. On this inference, reported profits ought to continue to register increases in the last two quarters of this year and the first quarter of next. So investors, however depressed they may have become about future dividends and about a recession and consequent turndown in company profits at some unknown point in the future, might care to note that the flow of good company results ought to continue for another nine months or so yet. This alone ought to add some additional strength to the dividend cover of most companies.

Yet the pattern of company profits bears all the signs of a mature, though not yet senile, boom. As the table on this page shows the groups showing increases in trading profits significantly above the norm are building, including Associated Portland Cement, electrical manufacturing with Associated Electrical Industries and BICC and motors, but not the engineering group (unlike the first quarter). Property companies (to which special considerations apply) also did well and so did the thinly represented entertainment group. As in the previous quarter the defensive stocks are still turning in profit increases below the average: food (Unilever), shops and stores and (fractionally) breweries. So also are oil companies—all the giants are included in this quarter—which have their own problems. Among defensive industrial stocks only the tobacco group (almost entirely Gallaher) beat the average, although the *FT* actuaries index for this group now yields 7.6% on dividend.

PROFITS AND FINANCES OF 681 COMPANIES REPORTING IN SECOND QUARTER, 1965

	PROFITS AND RETURNS							CAPITAL AND CASH FLOW					
	TRADING PROFITS			GROSS RETURN on net assets		NET RETURN on net equity assets		NET LIQUID ASSETS				NET CASH FLOW	
	Prev. year £mn.	Latest year £mn.	Change %	Prev. year %	Latest year %	Prev. year %	Latest year %	Prev. year £mn.	Latest year £mn.	Net new capital £mn.	Increase in overdrafts £mn.	Prev. year £mn	Latest year £mn.
Breweries, etc. (11)	24 2	27 5	+13·6	16 9	18 2	9·5	10·3	5·9	Dr. 1·6	1·4	5·6	6·9	7·8
Building (66)	72·3	94·8	+31·1	16 2	19·3	9·8	11·5	15·0	18·4	24·0	1·2	35·3	43·8
Paper and Packaging (12)	61·3	72·8	+18 8	11·5	11·1	6·4	7 5	19·7	20·2	18·9	1·9	26·1	30·7
Chemicals and Paint (30)	172·7	201·6	+16 7	11·7	13·8	6·4	8·4	63·2	60·5	53·2	3·0	75·7	94·7
Clothing and Footwear (34)	11·6	13·3	+14·7	17 4	18·4	9·6	10 3	4·5	Dr. 0·7	1·3	2·4	3·6	4·4
Electrical Manufacturing (22)	61 4	75·4	+22·8	11·0	13·2	6·3	7·4	8·1	Dr.11·8	Nil	9·8	30·0	33·7
Engineering (98)	127 8	148 9	+16·5	11·4	12·9	6 4	7 0	Dr. 6·3	Dr.13·1	Nil	0 7	56·8	62·1
Entertainment (15)	10·5	12 8	+21·9	14·0	14·9	8·0	8 3	5·6	4·1	4·8	0·7	2·6	3·5
Property (26)	16 0	20 0	+25·0	6·5	6·4	3·3	3·2	Dr.14·7	Dr.17·9	56·0	12 1	1·3	1·6
Food and Confectionery (35)	247·8	258·5	+ 4·3	17 1	16 6	9·7	9 7	105 1	69·0	21·4	16 0	110·5	120·7
Iron and Steel (10)	11·8	13·1	+11·0	15 1	15·5	9·0	8 8	8·7	6·0	Nil	1·1	5 3	5·9
Motors, etc. (26)	72·7	89·2	+22·7	12·9	15 3	8·6	9·5	Dr.28·9	Dr.34·2	5·1	2·4	35·2	42·9
Newspapers and Printing (18)	35 1	38 3	+ 9·1	16 7	16 6	9·7	9·4	9·7	11·4	4·2	3·4	12·3	12·8
Oil (10)	254·2	274·0	+ 7·8	12·7	13·2	7·0	6·8	200·8	211·0	122·1	−11·5	123·1	120·9
Shipbuilding (3)	5·4	3·5	−35·2	4 4	0 1	3·4	—	Dr. 8·1	Dr. 5·3	1·8	− 3·1	3·6	3·3
Shipping (17)	20·8	23·0	+10·6	0·7	2·2	—	1·2	37·2	39·7	37·3	5·2	19 6	27·2
Shops and Stores (27)	79·1	86·9	+ 9·9	19·6	20·1	10·7	10·4	21·5	21·9	9·8	−2·1	21·3	22·9
Cotton (16)	29 0	32·4	+11·7	12·6	13·5	6·4	7·4	5·7	Dr. 3·5	3·0	9 4	10·6	12·0
Silk, rayon and other textiles (23)	48·9	58·0	+18·6	14·9	14·6	9·4	10·0	9·3	8·7	23·6	3·8	19·4	26·9
Wool (16)	6·7	6·7	—	18·0	16·5	10·5	9·6	1·8	Dr. 0·8	0·4	2·1	2·6	2·9
Tobacco (4)	23·0	26·6	+15·7	21·8	22·5	12·0	12·2	Dr.12·2	Dr. 0·4	11·4	−11·5	6·7	7·4
Miscellaneous manufacturing (120)	110·4	131·8	+19·4	14·6	16·2	7·8	9·2	Dr. 3·8	Dr.10·5	9·2	4·6	46·7	56·8
Miscellaneous others (42)	53·4	60·7	+13·7	15·8	16·7	8·7	9·6	Dr. 3·2	Dr. 3·5	12·7	7·3	18·9	22·7
All groups (681 Companies)	1,553·9	1,769·9	+13·8	13·3	14·2	7·4	8·0	444·4	367·5	413·4	64·7	674·1	767·7

The quarterly tables giving the full analysis of company balance-sheets and profit and loss accounts are no longer being published in The Economist, but will be sent free of charge (within the next two weeks) and for future quarters on application to the Investment Department, The Economist, 25, St. James's Street, London, S.W.1.

Continued from page 274

control. Chubb itself is not over-liquid ; it has a small overdraft before deducting the payment of the final dividend and it would have been compelled to borrow the money to be put into AFA, whose own overdraft—nearly £2 million in May—looks very substantial beside Chubb's net cash flow of £800,000. Chubb's successful trading over the past few years is often compared favourably with AFA's but the two companies are not really comparable, although Chubb does rent alarm systems. Nearly three-quarters of Chubb's £12¾ million turnover comes from security engineering—locks, safes and similar equipment—and only £1¾ million for alarm rentals and maintenance. The pressure on liquidity from renting out equipment whose costs have to be met immediately does not bear so hard on it. But a recession can lead to postponement of the purchase of security equipment at a time when cash-starved companies could find rental the more attractive proposition.

Significantly Chubb, unlike AFA, finds it possible to identify the manufacturing costs of rental costs, which appear to be much lower than AFA's estimates, although differences between the types of equipment concerned may well account for this.

Chubb's shareholders should be very happy with the company's results for the year ending on March 31st. Equity earnings are up by a quarter to £680,000 and the dividend is lifted by four points to 25%. The non-voting "A" shares, the more numerous of the two classes of equity, yield 3.7% at 27s. 4½d. Cover under the old system is 2.5. The chairman, Mr George Chubb, is not prepared to guess at this year's results but order books are full and half the company's business is done overseas ; but the prospect of even a 40% corporation tax, quite rightly, is not worrying the company.

RENOLD CHAINS

Anticipating the Distant Future

RENOLD CHAINS produces about 95% of the roller chains made in this country ; its only manufacturing rival is a small subsidiary of an American company. But chains is only one among many ways of transmitting power, so the Monopolies Commission has never investigated the company and is unlikely to in the future. For over the long term the chain is likely to meet increasing competition as a power transmitter from conventional solid drives and, more important, from hydraulics, particularly the new Dowty range. So although Renold can look forward to a good market for its chains for several years, subject to the stop-go cycle, it cannot afford to rely on its chain monopoly. And it is not doing so.

The purchase of John Holroyd and Company during the year to March 28th was a sensible step. This £12 million takeover has brought into the group Holroyd's worm gears, which are largely complementary to Renold's own products. Holroyd's phosphor bronze is widely used, significantly, in hydraulic engineering. Renold's own new development, the sprag clutch, used for over-running and indexing, has a potentially wide application in data processing.

Renold Chains, which under Sir Charles Renold has always prided itself on being ahead of the rest of the engineering industry, has just introduced a 39-hour week. This move has raised its labour costs which it must hope to absorb by higher productivity, as it has done before. Like any other user of large and expensive plant it relies heavily on full capacity working. Last year it was working in ideal conditions: profits after tax were up 35% to £1.35 million largely because there was only a marginal increase in the work force, although some chain prices were increased towards the end of the financial year. Orders are still coming in quickly and even if there is a downturn in the engineering industry in the autumn, the results for the current year should be as good as this year's.

The Holroyd takeover involved paying out £6 million in cash, £3 million of which came from the 6¼% debenture issue in February, the first time the company has ever had debentures. The net overdraft was up sharply to £2.4 million, but this is not significant in itself, since cash flow was £1.5 million and the Renold investment programme has passed its peak, although the Holroyd subsidiaries will require a good deal of capital. But if more capital is needed, debentures or overdrafts will provide it. At 36s. 3d. the shares yield 5.2%. Cash flow is high enough to protect the dividend against a 40% corporation tax and a downturn in business in 1966-67.

SUPERMARKETS

What Growth Rate Now?

SUPERFICIALLY the low yields on Tesco and Victor Value, the two most aggressive and successful price-cutters in the so-called supermarket business, are justified. Tesco, at 10s. 3¼d., yields 3.0% on last year's dividend which was covered 2.4 times, which will become 3.9% this year if the forecast of a maintained dividend after the 1-for-3 scrip issue is met. Victor Value "A," at 5s. 3¾d. yield 5.2%, but with cover of only 1.8. While these yields are below average, growth has been faster than usual. Tesco's earnings have increased 111% over the last four years ; those of Victor Value, rather erratically, by 50%.

These differences of performance, and Tesco's abnormally high dividend cover are reflected in the market valuation of the shares. The question is whether the supermarkets' past rate of growth can be maintained as new branches are opened in more and more—and presumably less and less attractive—areas. When will diminishing returns begin to apply ?

They have already in supermarket chains less addicted to price cutting than Tesco and Victor Value. The troubles of Mr Garfield Weston's Fine Fare chain, and the sale of the Premier supermarkets by Express Dairy to Unilever are significant. Unilever is converting its newly-bought stores into "Macfisheries food centres," a deliberate attempt to trade up the whole idea of supermarket shopping. But future success for the price-cutters will need more than an ability to buy cheap and sell fast: you need to diversify—as can be seen from Tesco's purchase of Cadena Cafes, so that people can eat-while-they-shop.

Tesco's supermarkets are basically an attempt to expand away from selling only groceries, in the hope that the one-stop shopping habit will eventually take root on this side of the Atlantic. This may take some time. The one-stop principle cannot operate if the motorist cannot park within a matter of feet of the store. Despite the publicity attendant on the ending of resale price maintenance for the next few years, at least, the trend of profits for these supermarket operators will depend overwhelmingly on the profitability of new branches, as it has in the past.

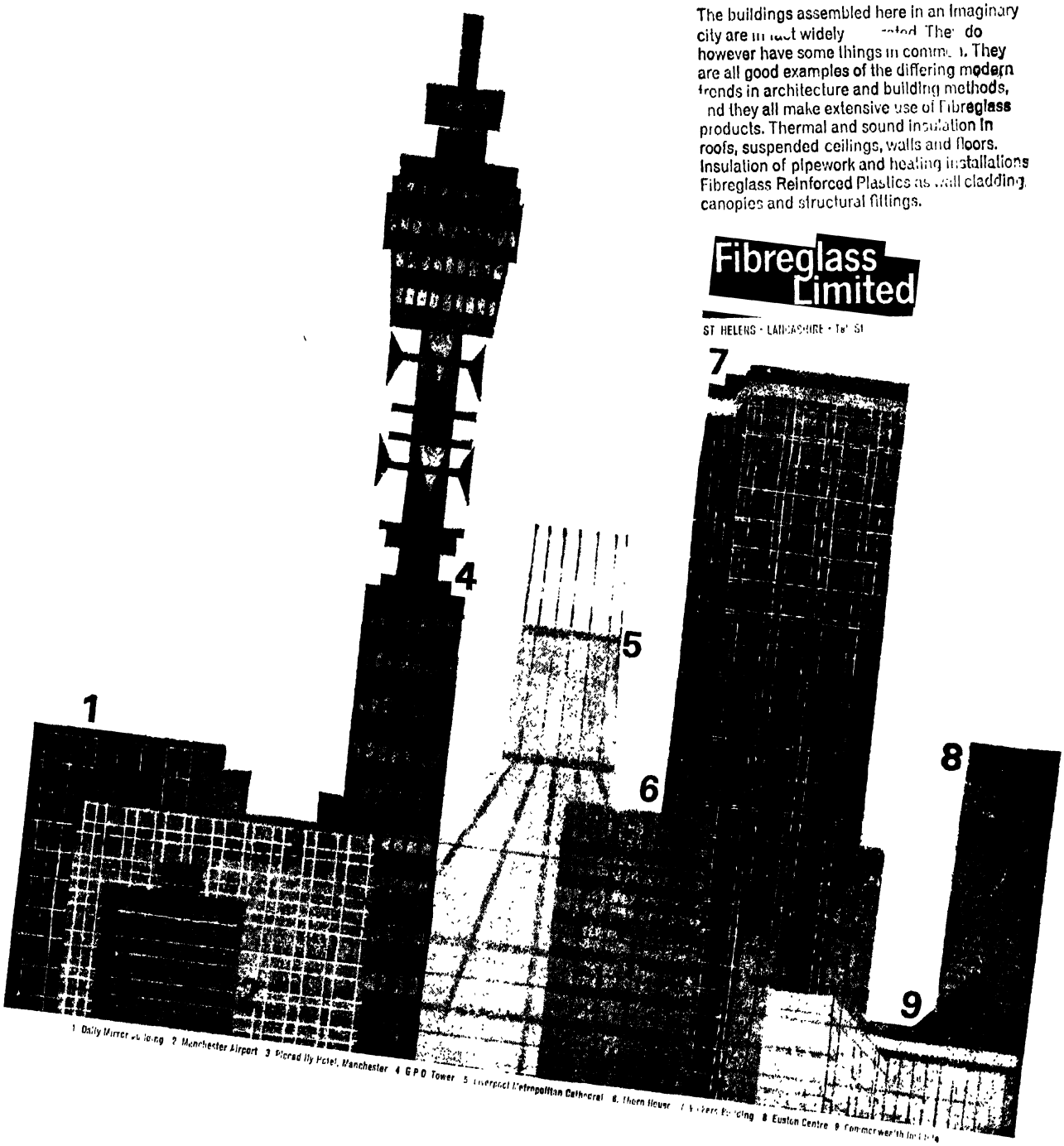
FIBREGLASS LIMITED plays many parts in

TOMORROW'S CITY

The buildings assembled here in an imaginary city are in fact widely separated. They do however have some things in common. They are all good examples of the differing modern trends in architecture and building methods, and they all make extensive use of Fibreglass products. Thermal and sound insulation in roofs, suspended ceilings, walls and floors. Insulation of pipework and heating installations Fibreglass Reinforced Plastics as wall cladding, canopies and structural fittings.

Fibreglass Limited

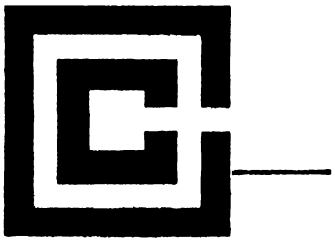
ST HELENS · LANCASHIRE · Tel: St



1 Daily Mirror building 2 Manchester Airport 3 Piccadilly Hotel, Manchester 4 G.P.O. Tower 5 Liverpool Metropolitan Cathedral 6 Thorn House 7 Vickers Building 8 Euston Centre 9 Commonwealth Institute

COURTAULDS

World leaders in man-made fibres



Points from the Statement by the Chairman, Mr. C. F. Kearton, to Shareholders at the 52nd Annual General Meeting on 7th July:

1964/5 sales, earnings, dividends and capital employed were all at record levels.

Further growth expected this year in 'Courtelle' and 'Tricel'. Steady build-up in 'Celon', Courtaulds' nylon. We see 'Vincel' as a major fibre of the 1970s on a world-wide basis.

Given the right investment, based on confident long-term planning, the Textile Industry can contribute more to economic growth than most other industries.

It is not possible to predict this year's results with confidence at this stage. Investment income will be smaller and much recent capital expenditure will take two years or more to fructify. For the first quarter ended June 30th the preliminary figures indicate that trading profit, before tax, is up a little on the corresponding period of 1964. The increase covers about half the loss in investment income.

Summary of results

	Year ended 31st March		
	1965 £000	1964 £000	1963 £000
World sales to third parties	**301,401**	227,710	185,432
Exports from the U.K.	**45,434**	41,433	28,280
Profit before loan interest and tax	**39,168**	36,130	26,419
Profit before tax	**36,397**	33,359	23,648
Ordinary dividends	**8,124**	9,936	7,514
Profit retained	**10,478**	6,024	4,739
Expenditure on fixed assets	**35,757**	15,273	12,463
Earned (gross) per 5s ordinary	**34.8d**	19.25d	15.0d
Dividend (gross) per 5s ordinary	**15.0d**	12.0d	9.25d
Net asset value per 5s ordinary	**16s 0d**	9s 9d	8s 11d

Copies of the full Statement and Annual Report can be obtained from The Secretary, Courtaulds Ltd., 18 Hanover Square, W 1.

Butlin's LTD

INCREASED REVENUE REFLECTS EFFECT OF CAPITAL EXPENDITURE PROGRAMME

DIVERSIFICATION AT HOME CONSIDERED UNNECESSARY

SIR WILLIAM BUTLIN'S CONFIDENCE IN FUTURE GROWTH

The twenty-eighth Annual General Meeting of Butlin's Limited was held on July 14th at the Connaught Rooms, Great Queen Street, London, W.C.2.

Sir William E. Butlin, M.B.E. (Chairman and Managing Director) who presided, said:—

PROFIT AND APPROPRIATIONS

At the last Annual General Meeting I referred to the rights issue we made in October, 1963, the proceeds of which were to be used to erect additional main buildings, to increase the general amenities on our existing Camps and to build extra accommodation to enable us to cater for more guests. The result of this programme is reflected in the Accounts which are before you. The gross revenue of £17,021,531 shows an increase of £1,480,277, over that of the previous year. The gross trading profit amounted to £6,076,060 compared with £4,903,649 in 1963, and the net profit before taxation is £4,727,569, an increase of £978,780 over the previous year. After providing for taxation, the net profit amounted to £2,415,271.

The net dividends paid during the year were Preference—£38,240 and the 17½ per cent interim Ordinary dividend—£583,938, and it is proposed to pay a final dividend on the Ordinary capital of 37½ per cent, less Income Tax, which will amount to £1,200,223. After deducting these dividends, there is an increase in the unappropriated profit for the year of £440,870, to which must be added the adjustment in respect of tax for previous years of £152,000. The total amount of profit carried forward now amounts to £3,056,296, an increase of £592,870.

RATE OF GROWTH

Our net trading profit during the last five years has increased by £3,586,552, an average increase of £717,310 per annum. During the next five years we propose to build at least two more Camps—in fact, the new Camp at Barry Island is already under construction, and will be open for the 1966 season. I do not see any reason at present why the rate of growth during the previous five years should not be maintained. More and more people are having longer holidays with pay. This is reflected in the increase in our winter business, which, in my opinion, will continue to grow.

Shareholders will want to know the effect of the new taxation proposals. For the current year we expect to maintain the same dividend.

Last year I referred to two new projects which we were considering. We were proposing in conjunction with Associated British Picture Corporation Limited and Billy Smarts (New World) Circus Limited to build a Marineland at Southsea. Due to technical difficulties the scheme was not commenced and has been abandoned. The other proposed joint scheme was the development at Blackpool of an entertainment centre. Due to changes in the road planning and other matters, the site will not now be suitable, and, in agreement with the Associated British Picture Corporation, it has been decided not to proceed.

THE FUTURE

I have come to the conclusion that there is no need for your Company to diversify in this country. We consider that with the extra leisure which people now enjoy and the present trend of longer paid holidays, we are engaged in one of the safest types of business in Britain—a business which is rapidly growing and in which Butlin's are the leaders. I would like to conclude by saying that we are watching the holiday market very carefully, and your Company has no intention of extending its activities anywhere abroad in the foreseeable future.

The report and accounts were adopted, and the payment of a final dividend, as recommended, was approved.

The retiring directors, Mr R. V. Stokes, Col. C. R. Wolsten-Croft, O.B.E., and Mr D. J. Bruce-Woodcock, were re-elected, and the directors having been authorised to fix the remuneration of the auditors, Messrs Franklin, Wild & Co., the proceedings terminated with a vote of thanks to the Chairman, Directors and Staff.

TRIPLEX HOLDINGS LIMITED

Extracts from the address by the Chairman, Sir Lincoln Steel, at the Annual General Meeting held on Wednesday, July 14, 1965.

★ As was stated in the Board's Interim Report in February, Pilkington Brothers had by then acquired just over 50 per cent of the share capital of your company. Consequently Triplex Holdings had become a subsidiary company of Pilkington Brothers in accordance with The Companies Act 1948. Your Board then agreed to a suggestion of Pilkington Brothers to change the Triplex financial year so as to end on March 31st.

★ Your Board declared a second interim dividend of 5½ per cent to be paid this month (July) in lieu of a final dividend. This was duly done and the stockholders have therefore received a total of 9¾ per cent for the nine-month period ended March, 1965, which is equivalent to a rate of 12½ per cent per annum (the same as the rate for the previous year).

★ The profit of the Group for the nine month period to March 31, 1965, amounted to £1,161,348 before tax, a fall of approximately 31.7 per cent when compared with three quarters of the profit shown for the twelve months to June 30, 1964. The fall in profits of the Triplex Safety Glass Company was greater, but there was some offset through improved results from the Engineering Group.

★ The volume of sales of the glass company is largely tied in with the fortunes of the motor industry and the production of passenger cars in particular. Any estimate for future demand for our glass therefore involves primarily an estimate of the production of motor cars and ironically enough it is easier to do this with some confidence for a period five to ten years ahead than it is for the immediate future of six to twelve months. The number of cars registered and therefore running on the road has increased over the last fifteen years with remarkable regularity by approximately 9 per cent compound per annum. There seems little reason to doubt that this average rate of growth will be maintained for the next five or ten years in spite of increasing congestion on the roads. We are thus in a growth industry and are confident that over the longer term there will be a continuing and increasing demand for our products. It is on that basis that we plan our long-term capital expenditure programmes.

★ This year the number of new cars registered in the first quarter has held up well, though part of this may have been due to purchases made in anticipation of a possible increase in purchase tax in the April budget. There has been a fall, however, in new car registrations in May and the outlook for the next twelve months is obscure. Though there is no reason to believe that the number of cars on the road is likely to do other than increase, the effect of the credit squeeze and tougher credit terms may well show itself over the next twelve months. Some of the motoring public may decide to run their old cars rather longer and defer new purchases. It may be that the overall demand for new cars in the home market will be less strong over the next twelve months than during the previous year.

★ Export prospects, too, are to some extent clouded by uncertainties in the likely volume of international trade due to liquidity problems and in particular to increasing discrimination against imports into the countries of the European Economic Community.

★ The immediate prospects, therefore, are not so bright as they were a year or two ago, but we are determined to maintain and if possible increase our share of the business that is going.

★ We are making continuing improvements in our products, and the newly developed "Wide zone" and "Zebrazone" toughened glass is expected to supersede the original "Zone toughened" glass during the coming year. Heated rear windows are being called for on an increasing proportion of cars and are proving their safety value to a widening circle of owners. Developments for applying similar principles to windscreens are progressing well.

★ Our Engineering Group had a better year and there is no sign as yet of any slackening in the industry in which we operate. We have an excellent order book and could accept many more orders were it not for the limitations on delivery imposed by shortage of skilled operatives.

★ I should like to express on your behalf and that of all stockholders our appreciation of the work that has been done during the past year by our employees, senior and junior staff and payroll workers alike.

WESTERN GROUND RENTS

ANOTHER SATISFACTORY YEAR

The twenty-sixth Annual General Meeting of Western Ground Rents Limited was held on July 8th in London, **Sir Andrew H. Rowell** (the Chairman) presiding.

The following is his circulated statement:

THE BOARD

The Directors are pleased to announce that during the year Sir Myles D. N. Wyatt, CBE, joined the Board; his wide business experience will be invaluable in the conduct of the affairs of the Company.

PROFITS

The profit before Taxation amounted to £546,842 and after providing £301,113 for Taxation, there remained a net profit of £245,729 as compared with £206,028 in the previous year. If there be added to this net profit of £245,729, the balance brought forward from the previous year and Taxation adjustments for prior years, in all, £184,199, the amount available for distribution becomes £429,928 representing an increase of £47,935.

DIVIDEND ON ORDINARY SHARES

An Interim Dividend of 2 per cent less Income Tax was paid on the Capital increased in July, 1964 by the issue of four free Shares for every one held. A Final Dividend of 4 per cent less Income Tax is recommended, making 6 per cent for the year.

CARDIFF DOCKS

During the year under review, the Company sold its interest in the Cardiff Docks to The British Transport Docks Board for £850,000.

CARDIFF INDUSTRIAL ESTATES LIMITED

In my Statement last year I mentioned that an Appeal was being made to the Ministry of Housing and Local Government with regard to 40 acres at Llanishen. I am pleased to say that the Appeal was successful. Since that date three applications have been made for planning and bye-law permission for the construction of the main circulation road through the estate; on two occasions they have been rejected on the grounds that the widths of roads did not meet the requirements of the new regulations which have been made. A further application was submitted on May 17th this year, and we await the result. (*Planning permission to put in the roads on this Estate has now been received and the work will proceed in the near future*.)

FUTURE PROSPECTS

The Directors are confident that the level of profit before Taxation reached in the year under review, will be maintained in the current year. Owing to the uncertainties of future Taxation, and in particular the Corporation Tax, the Directors would prefer to say nothing at this stage regarding the rates of future dividends.

The report and accounts were adopted and the other formal business transacted

ANGLO ORIENTAL PLANTATIONS LTD.

INCREASING PALM OIL ELEMENT

The sixth Annual General Meeting of Anglo Oriental Plantations Limited was held on July 8th in London, Mr D. A. Gilliat (the chairman) presiding.

The following is an extract from his circulated statement:

The Company's operations in 1964 resulted in a profit, after tax, of £120,529 or about £5,500 less than the year before. The rubber crop, as was expected, was slightly lower and so for the fifth successive year was the average price received. Furthermore a new wage scale was agreed in June, 1964 dating retrospectively from February 1, 1964 which added to our estimated Cost of Production. Palm oil crops and prices were higher, however, and have enabled the Board to maintain the total of dividends at 20 per cent for the year.

The planted rubber acreage decreased by about 700 acres during the year as a result of the sale of Sungei Mai and the conversion of 605 acres to oil palms.

The rejuvenation, by replanting, of those rubber areas destined to remain in rubber proceeds as planned at about 400 acres per annum. The proportion of our total rubber acreage which is non-productive because of replanting is rather high at the moment, about 28 per cent, reflecting the larger replanting programmes of past years, but this will adjust itself soon and the estates will benefit by the larger crops as the replantings come into bearing.

The oil palm acreage will increase, if current plans mature, from the present 3,390 acres (of which 41 per cent is not yet productive) to over 5,600 acres by the end of the decade. The Directors' intention is thus to "diversify" by increasing the palm oil element in the Company's profit earning capacity and simultaneously to lessen its dependance on rubber. The palm oil crop in 1964 was up to expectation and the price was satisfactory.

Crops for the five months ending May 31, 1965, were Rubber 3,323,700 lb. and Palm Oil 645 tons as compared to Rubber 3,756,500 lb. and Palm Oil 531 tons for the same period in 1964.

With regard to the outlook for our two commodities, Rubber prices have remained very steady over the past months at around the 21½d. to 22½d. level. The price of June, 1965, C.I.F. rubber is 22d. against that of June, 1964 of approximately 20½d. per lb. It is inadvisable to prophesy but personally I feel confident that market conditions during the current year will enable a Company such as ours to earn worthwhile profits.

The Market for Palm Oil is satisfactory. On July 1, 1964, the price stood at £80 10s. 0d. C.I.F. Europe rising to £84 10s. 0d. at the end of 1964. Since then prices have bounded ahead to the current level of around £110 per ton for July/August shipment. Whilst it would be imprudent to expect the maintenance of the current price level, it would be reasonable to look for a continuance of profitable prices having regard to the ever increasing world population, notably in the East.

The report and accounts were adopted.

COMBINED ELECTRICAL MANUFACTURERS

(Incorporating Hackbridge and Hewittic Electric Co. Ltd., Switchgear and Cowans Ltd., New Switchgear Construction Co. Ltd. and Bertram Thomas (Engineers) Ltd.)

The Annual General Meeting will be held in London on August 5, 1965.

The 5 year record included in the Accounts discloses the following comparative figures:

	1965 £	1961 £
Group Profit before taxation	982,000	*675,000
Dividends paid (net)	217,000	171,000
Net Assets employed	5,455,000	3,469,000

* The annual equivalent of Group Profits for varying periods.

The following are salient points made in the circulated statement to the shareholders by the Chairman, Mr A. de M. Browne, CBE.

- The amount spent on fixed assets during the five years since the merger had been £1.5m. Net current assets required for working capital had increased by £1.6m. This had been financed as to £1.8m. from the cash flow and £1.3m. from fresh capital.
- The output of large transformers for the C.E.G.B. at 132kV and 275kV had been increased. The first of several 400kV transformers is now being completed. The Thanet Division had made good progress.
- 'Hewittic' silicon rectifiers are now as well established as 'Hewittic' mercury arc rectifiers, and have become the main product of this division.
- The Bertram Thomas Company has done well, particularly with traction breakers.
- Switchgear & Cowans is increasing its production capacity at Manchester, as also is Richard Whiffen Ltd.
- Exports of the Group averaged over 20 per cent throughout the whole range.
- The associated company in India, Hackbridge-Hewittic & Easun Ltd., in which the equity interest of 30 per cent is owned, had produced excellent profits in its last financial year.
- Barring unforeseen circumstances beyond the Directors' control, results for the coming year should prove satisfactory.

CRÉDIT LYONNAIS

EXTRACTS FROM ANNUAL REPORT FOR 1964

In 1964, Crédit Lyonnais expanded its activities to the fullest extent compatible with the national credit policy and the balance sheet total of Frs.22,056.3 millions as at December 31st reflects an increase of Frs.2,739.8 millions compared with 1963.

The increase in resources, representing 13.9 per cent for sight deposits and 12 per cent for current accounts, was particularly marked in the case of bonds and fixed deposits which, at Frs.1,764 millions against Frs.1,485 millions, are nearly 19 per cent higher than at the end of 1963.

Funds which became available as a result of the reduction in the level of compulsory holdings of Treasury Bills by the banks were used to grant increased facilities to commerce and industry, whilst keeping within the limits imposed by existing regulations.

Crédit Lyonnais endeavoured, in particular, to assist firms to make the efforts called for during the present period of adjustment, especially in respect of modernisation and overseas trade.

The overall expansion of activities resulted in a fairly substantial increase of gross receipts and, in spite of the continued recession of Stock Exchange business and of increased overhead expenses—mainly due to the Bank's building and mechanisation programme—the net profit for the year, after full provision for contingencies, is over 11 per cent higher than in 1963.

The Bank's branches, associated and affiliated banks overseas have progressed satisfactorily, including the United Kingdom where business continued to expand, the London Offices playing an increasingly important rôle in financing Franco-British trade as well as international trade.

BALANCE SHEET AS AT DECEMBER 31, 1964

ASSETS	
Cash in hand, with Treasury and Banks of Issue	464,430,934.21
Balances with Banks and Correspondents	2,073,107,901.58
Bills discounted	15,064,978,468.35
Coupons	18,900,625.81
Current Accounts	2,780,223,705.50
Secured Advances	168,954,760.56
Sundry Debtors	445,787,267.07
Liability of Customers for Acceptances, as per contra	722,216,074.22
Investments	235,107,492.00
Suspense Accounts and Sundries	343,687.56
Bank premises and fittings	82,323,036.86
	22,056,373,953.72

LIABILITIES	
Sight Deposits	8,386,151,428.45
Current Accounts	6,174,143,610.14
Balances of Banks and Correspondents	2,377,140,196.63
Accounts payable after collection	588,522,687.30
Sundry Creditors	1,548,033,040.28
Acceptances for account of Customers, as per contra	722,216,074.22
Bonds and Fixed Deposits	1,764,153,702.52
Suspense Accounts and Sundries	208,717,344.47
Reserves	90,500,000.00
Capital	180,000,000.00
Balance brought forward from previous year	5,110,631.69
Profit for the year	11,633,185.02
	22,056,373,953.72

CONTINGENT LIABILITIES	
Guarantees	2,600,029,686.13
Endorsements	1,974,288,332.66
Documentary Credits	526,166,008.24

HANDLEY PAGE

The Annual General Meeting of Handley Page Ltd. was held in London on July 8, 1965. Mr G. C. D. Russell, presiding, said:

Our workshops are busy with the conversion for the R.A.F. of the earlier Victor bombers into three-point in-flight tankers of very large fuel capacity. They are the world's fastest high-altitude refuellers and are able to replenish a variety of aircraft.

Such tankers will help to extend the scope and effectiveness of Britain's deterrent. They will give greater retaliatory range to the R.A.F.'s V-bomber force, headed by Victor B2s whose retrofit for the carriage of Blue Steel missiles continues in our workshops.

Sales of our Herald aircraft have been encouraging. Recent Brazilian orders, for fifteen airliners, are particularly promising, for we have gained a substantial foothold in a continent where the potential market is very large. The value of exports—88 per cent of all private-venture Heralds and their spares ordered to date—is now more than £15 million.

Our laminar-flow research continues. Progress with our experimental laminar-flow swept-wing has been most satisfactory. We are working on a design study of the H.P.130, a small laminar-flow research aircraft. This could lead to a substantial and revolutionary improvement in the efficiency of operation of long-range aircraft.

Our move into the space-heating field has been promising and our radiators have found a ready market. Production has risen rapidly and should achieve its ultimate first-stage target this year. Examination of our electric-radiators' export potential has proved most encouraging.

LONDON & EDINBURGH INSURANCE CO LTD

POINTS ARISING FROM MR G. J. STEWART'S STATEMENT PRESENTED ON JULY 8th IN LONDON AT THE 46th ANNUAL GENERAL MEETING.

● Gross profit for the year was £146,368, against £149,683 for 1963 which included £66,840 of realised profit on investment.

● Against the poor background of 1963, the general underwriting results showed a satisfactory recovery.

● The home agency account is the hard core of our development. Our motor account, which is one of the best in the business, expands steadily. The marine and aviation accounts are sound and profitable.

● London & Edinburgh Life Insurance Co. Ltd. is now a fully fledged Company with its own organisation and is growing at a great pace. The "Equitas" Policy is still paramount and has no equal in its field.

● The unit trust subsidiaries—Unicorn Securities Ltd. and Dillon Walker & Co. Ltd.—had a satisfactory year, although profits were below the 1963 level, largely because of a general restraint in market activity.

● The value of the trusts managed by Unicorn Securities Ltd. increased during 1964 to £37,000,000.

● A final dividend of 7½ per cent is proposed, making a total of 15 per cent (same) covered nearly one-and-a-half times by investment income.

● The overall results in 1965 so far are comparable to last year, and we expect that rate increases in many areas will be reflected in our profit by the end of the year.

Write to the Secretary, London & Edinburgh Insurance Co. Ltd., 1 Seething Lane, London, EC3, for a copy of the full report and accounts.

CHUBB

The Annual General Meeting for 1965 of Chubb & Son Limited is to be held on August 6th in London.

	1965 £	1964 £
Profit before taxation	1,411,877	1,150,834
Taxation	644,127	556,314
Group Net Profit	699,586	560,612
Preference Dividends	19,636	19,906
Ordinary Dividends	265,132	204,771
Profit Retained	410,818	313,935

The Board recommends a final dividend of 19 per cent on the Capital increased by the Rights Issue in January, 1965, which makes a total distribution for the year of 25 per cent.

In the Chairman's Review sent to shareholders, the Hon. G. C. H. Chubb said:

We put overwhelming emphasis on all-round security. For instance, the manufacture of fire-resisting office equipment, safes and strongrooms, plays an important part in all our overseas companies and, as in this country, these products are allied in varying degrees with important services such as burglar and fire alarms, fire extinguishers and "call out" devices.

At a time when crime throughout the world is rampant, demands for our services have never been greater, and we are very much aware of the responsibility that lies on us not only to manufacture and sell what we feel the public needs in its effort to combat crime, but also to keep ahead in our research.

It would be a brave man who could firmly predict the next year's results in this troubled world, but our order book is again well filled and our staff enthusiastic, so that we hope for satisfactory results.

A copy of the Annual Report may be obtained from the Secretary, Chubb & Son Limited, Tottenham Street, London, W1.

WILSON BROS., LIMITED

(Publishers of Greetings Cards)

AN EVENTFUL YEAR

The eighteenth Annual General Meeting of Wilson Bros., Limited was held on July 15th at Hayes, Middlesex, with **Mr E. S. Birk** in the Chair.

The following is an abridged version of his circulated statement:

During 1964 Mr S. E. Wilson retired as Chairman and Managing Director but remains on the Board. The appointments which followed were those of myself as Chairman, Mr E. Davis as Deputy Chairman and Mr Alan Wilson and Mr Gordon Myers as Joint Managing Directors.

In July, 1964 the issue at par of £535,429 6½ per cent Convertible Unsecured Loan Stock 1984-89 was successfully effected.

The work at the Hayes premises was completed during the year and the factory and warehouse all on one floor, together with the administrative offices, comprise 117,000 sq. ft.

The conversion for office use of the Chiswell Street property (now all freehold) is well advanced and the work is expected to be completed in November. The building will provide over 90,000 sq. ft. of lettable office floor space.

Although turnover once again reached a record level, profit before taxation fell from £324,974 in 1964 to £251,960.

Non-recurring costs and expenses attributable to the move from Chiswell Street to Hayes, to the disturbance of production arising from it and to the employment of industrial consultants amounted to approximately £62,000. In addition, the cost of Bank and Loan Stock interest during the year amounted to £36,619 compared with the cost of Bank interest only in the previous year of £8,561, an increase of £28,058.

The Directors feel that the results are reasonably satisfactory, taking into account the events of the past year.

For the future against the cost of a full year's interest on the Loan Stock amounting to £34,803 there will be brought into account the substantial income which will arise when the letting of Chiswell Street has been effected. When the property has been let, the additional income for a full year will increase the profits of the Company substantially and will ensure that the level of retained profits need not be diminished as a result of the introduction of Corporation Tax.

It is too early to forecast profits for the current year, but trading for the first three months has been satisfactory.

The report was adopted.

EDGAR ALLEN & CO.

INCREASED SALES TURNOVER

The sixty-sixth Annual General Meeting of Edgar Allen & Co. Limited will be held on August 5th at Sheffield. The following is taken from the statement by the Chairman, **Mr F. A. Ross, FCA,** which has been circulated with the Report and Accounts:

The sales turnover, when compared with that for the previous year, shows an increase of approximately 31 per cent for the Parent Company, 29 per cent for the United Kingdom Subsidiaries, and 4 per cent for the overseas Subsidiaries, with an overall increase for the Group of some 27 per cent.

This increase in Group sales turnover is reflected in the Consolidated Profit and Loss Account by a trading profit of £121,260 against a loss in the previous year of £103,101, an improvement of £224,361.

With the reorganisation and intensification of the sales effort, the Steel Division has shown a marked improvement in results over those of the previous year with increased sales turnover both to outside customers and to the company's other manufacturing Divisions, and considerable increase in profit was earned.

In the very highly competitive conditions of business in the supply of steel castings much of the increased cost arising in their manufacture during the year had to be borne by the Company, thus reducing the profit margin.

The Light Engineering Division is responsible for the manufacture of the following products, inter alia: engineers' tools (including powder metal), saws, magnets, trackwork and wearing plates. Without exception, all the manufacturing departments in this Division increased their sales turnover over that of the previous year.

In the Heavy Engineering Division the sales turnover has increased considerably over that of last year but a still further increase is required to enable this Division to work profitably.

Compared with the losses of the two previous years the trading results of the Group for the year to April 3, 1965, show a marked improvement in spite of the losses incurred by three Subsidiaries. What optimism we have for the success of the Group during the current year stems from our present improved order position but much has been heard recently of the expected decline in capital investment and such, if it comes about, would have an immediate effect on our sales of plant, with a corresponding reduction in the sales of many of our products that form component parts of plant and machinery or are used in its manufacture.

The Directors recommend a Final Dividend of 3½ per cent on the Ordinary Shares making a total of 6 per cent (less tax) for the year.

The rate of dividends on the Ordinary Shares payable after April 5, 1966 will be directly influenced by the proposed new legislation introducing Corporation Tax, under which it will be necessary to achieve a substantial increase in untaxed profits in order to maintain a dividend of 6per cent for the year and to make an appropriation to General Reserve of a similar amount to that now proposed.

MILLARS' TIMBER & TRADING

The Annual General Meeting of Millars' Timber & Trading Company, Limited, was held on July 8th in London, **Major A. W. Bird, DSO** (Managing Director), presiding.

The following is an extract from the Directors' Statement for the year 1964:

In the Directors' Statement last year we said that we were of the opinion that for 1964 we should be able to recommend a dividend of 12 per cent on the Ordinary Capital as increased by the "Rights" Issue. The results have fully justified our confidence and we are, therefore, recommending a dividend of 12 per cent on the whole of the Ordinary Share Capital.

Group turnover reached a figure of £10½ million, a substantial increase over the previous year. The net profits of the Group are £204,103 which compares with £174,021.

Early in 1964 shareholders subscribed £550,000 additional capital by means of a "Rights" Issue of Ordinary Shares. Some £250,000 of this has so far been spent on our capital investment programme and working capital within the Group. Further projects are in hand.

This capital expenditure together with that in previous years has had a most beneficial effect on our cost of production, both in Australia and in the United Kingdom, and the additional money will continue to help in this direction.

As we see trading at the moment we feel confident that we shall be able to repeat the dividend on the Ordinary Shares.

THE METROPOLITAN RAILWAY SURPLUS LANDS CO. LTD.

The thirty-second Annual General Meeting of the Company will be held on July 22, 1965. The following is a summary of **Sir Bernard Docker's** *Statement circulated with the accounts for the year to March 31, 1965.*

GROUP PROFITS. Net rents amounted to £692,335 (1964 £598,203) but the increase was offset by a reduction in profits on purchase and resale of properties (£268,294 against the record figure last year of £363,456) and higher interest charges. Profits after tax, therefore, amounted to £343,172 (1964 £380,713).

DIVIDENDS. The final dividend of 8½ per cent less income tax, making 12½ per cent (same as last year) leaves £282,363 carried forward against £263,553 brought in.

SURPLUS ON REVALUATION. If professional and internal revaluations of the investment properties and trade investments were adopted group capital reserves would exceed £4m.

THE DEVELOPMENT PROGRAMME. Satisfactory progress has been made with several developments some of which have been completed. Substantial bridging and long term finance will be required but the Company's arrangements are flexible. We shall proceed with some schemes now and if necessary will consider selling others. Alternatively, we may in suitable cases secure partners with financial backing or postpone redevelopment until the financial climate is more propitious.

PROSPECTS. The Company's substantial estate in Metropolitan London should continue to increase in income and value. Increases in revenue may be expected as development properties come to maturity. Trading profits, whilst fluctuating, should remain at a substantial level.

The new Corporation Tax will bear heavily upon the Company which, in common with other property companies, distributes the major part of its earnings. Nevertheless, our growth potential is considerable. Property is still one of the most secure lock-ups for capital and it is believed that the Company will continue to give a good account to its shareholders.

(A copy of the Report and Accounts, together with the Chairman's Statement and a brochure, will be sent on application to the Secretary, Kensal House, 553-579 Harrow Road, London, W.10.)

DUFF DEVELOPMENT COMPANY

The thirty fourth Ordinary General Meeting of Duff Development Company Limited was held on July 8th in London, **Mr John A. Lord** (the chairman) presiding.

The following is an extract from his circulated statement:

For the year 1964 I am pleased to report yet another record annual output of rubber, which at 6,722,513 lb was 222,500 lb in excess of our estimate and showed, against the crop for the previous twelve months of 6,230,848 lb, a percentage rise of some 7.89 per cent. The total crop for the current year is estimated at 7,300,000 lb, of which 2,527,700 lb have been harvested in the first five months ending May 31, 1965. Forward sales of rubber for 1965 have been made totalling 582,400 lb at an average price of 21.275d. per lb C.I.F. terms.

In the year 1964, income from the sale of rubber rose by £16,482 over that of the previous year to £504,209, although the average price obtained declined by 0.79d. per lb.

As reported at our meeting in July last year, 2,200 acres of jungle reserve were sold during 1964, the final balance of the total net proceeds of £36,507 being received just before the close of the financial year. Your Directors were advised that in lieu of paying dividends from revenue sources, the stockholders would benefit if a tax free distribution out of capital profits were made. Therefore, in February, 1965 10d. tax free per Stock Unit was distributed.

The report was adopted.

Company Meeting Report

Lindsay Parkinson report twelfth record year

Mr. A. E. Parkinson, the Chairman of Sir Lindsay Parkinson & Co. Ltd., in his circulated Statement for the year 1964, reported another year of record profits—the twelfth in succession.

Year to 31st December	1961	1962	1963	1964
Group Profit before tax	£404,581	£507,867	£672,321	£775,255
Taxation	179,693	251,417	295,362	349,036
Group net profit	224,888	256,450	376,959	426,219
Ordinary dividend (less tax)	60,637	70,744	84,480	98,528
Revenue reserves and unappropriated profit	1,069,247	1,251,802	1,439,708	1,677,569

The following are extracts from his Statement: The diversification of contracts secured has been well maintained.

Building Contracts have been obtained from Government, Local Authorities, and from the Private Sector of Industry including Housing Contracts to the value of some £4½ million, and Contracts from Hospital Authorities for some £1 million. Recent Contracts secured from the Private Industrial Sector amount to just over £1 million and are well spread over the country on industrial sites we have acquired.

INDUSTRIALISED BUILDING SYSTEMS

We have incorporated a new Subsidiary Company, S.L.P. Industrialised Building Limited, to undertake the H.S.S.B. Industrialised Building System. Production has commenced at a factory established at Wellingborough and the initial contracts are in progress. Our other industrialised system, the Parkwall System, has secured a substantial contract for the Leeds Corporation, valued at over £2½ million. We are also actively engaged on substantial contracts utilising the Bison Wall-frame system for high rise buildings.

The Process of cutting back on Private Housing Sites is not likely seriously to affect our profits as a result of the wide diversification of our business. In 1964 the turnover of this department represented only 7½% of the Group total.

CIVIL ENGINEERING

Our Civil Engineering Department has secured a contract for approximately £4,275,000 for the Coldra-Crick Section of the South Wales Motorway. Activity in the department is continuing at a high level. Our Opencast Coal Department continues to operate at a substantial level.

Our Associated Companies in Ghana have all continued to operate actively and excellent progress has been made on the various contracts. Work is being undertaken for the American interests associated with the Aluminium Smelter Factory at Tema Harbour.

FUTURE OUTLOOK

At present work in hand still exceeds £30 million. Our Group turnover for 1965 is expected to exceed that for 1964, and I remain confident that the results will continue to give satisfaction to our Members.

Until the present Finance Bill becomes law it is impossible definitively to forecast the impact on distributable profits. However, it appears that the Company should at least be able to maintain the rate of distribution at the current level.

The Annual General Meeting will be held at the Piccadilly Hotel, London, at 12 noon on 22nd July, 1965.

SIR LINDSAY PARKINSON & CO. LTD.

Civil Engineering & Building Contractors

EDUCATION, BUSINESS AND PERSONAL

NORTH STAFFORDSHIRE COLLEGE OF TECHNOEOGY

STOKE-ON-TRENT

The following post graduate courses leading to the

DIPLOMA IN MANAGEMENT STUDIES

will be offered in September, 1965

Sandwich Course ... ... One year
Block Release Course ... ... Two years

The session commences on September 20, 1965.

Further details and application forms may be obtained from the Principal, North Staffordshire College of Technology, College Road, Stoke-on-Trent.

City and County of Newcastle upon Tyne

Municipal College of Commerce

The College will offer the following full-time courses in the 1965-66 Session:
EXTERNAL DEGREE COURSES OF LONDON UNIVERSITY:
B.Sc. (Economics)
LL.B.
B.A. (General)

DIPLOMA COURSES:
Higher National Diploma in Business Studies (two-year full-time or three-year sandwich)
Ordinary National Diploma in Business Studies
Higher Award in Business Studies—four-year sandwich (Proposed course for B.A (Hons) degree)

PROFESSIONAL COURSES:
Accountants
Cost and Works Accountants
Law Society Parts I and II
Librarians
Municipal Treasurers and Accountants (Block Release Course)
Secretaries

Further particulars may be obtained from the Registrar, College Street, Newcastle upon Tyne 1.

SECRETARIAL TRAINING for Women especially university graduates and older students; 6-month and intensive 14-week courses.—Write Principal, Davies's, 158 Holland Park Avenue, W.11. PARk 4654

Home Study Courses
B.Sc. (Econ.) LL.B.
and other external degrees of the University of London. Also Accountancy, Secretaryship, Law, Costing, Banking, Insurance, Marketing, G.C.E., and many (non-exam.) courses in business subjects including the new Stockbrokers and Stockjobbers course
Write today for details or advice, stating subjects in which interested, to

Metropolitan College

(Dept. 39/2), St. Albans,
or call at 30 Queen Victoria Street, London, E.C.4. City 6874
(Founded 1910.)

TOP PEOPLE'S SECRETARIES are well placed generally by Stella Fisher Bureau in the Strand.

COMPUTER PROGRAMMING.—Train for a well paid post in this expanding field through ICS. For details of new home-study courses (Inc. IBM 1401) write ICS (Dept. 424), Parkgate Road, London, S.W.11.

IF YOU WISH TO EXPAND, SELL PART OR WHOLE OF YOUR BUSINESS. . . . Advertiser with large financial resources would be interested in purchasing the majority equity share holding (or the minority down to 20 per cent.) of soundly managed industrial or commercial concerns, at home or abroad, having good growth potential and a net profit of £10,000 to £50,000 p.a. Fully qualified technical, marketing and administrative experience available if required All enquiries will be treated with strictest confidence. Write to: MANAGING DIRECTOR, E. & J. HILTON LIMITED, 42 GEORGE ROAD, EDGBASTON, BIRMINGHAM 15.

FINANCIAL NOTICES

The Royal Bank of Canada

DIVIDEND NO. 312
Notice is hereby given that a DIVIDEND of 65 cents per share upon the paid-up capital stock of this Bank has been DECLARED for the current quarter and will be payable at the Bank and its branches on and after September 1, 1965, to Shareholders of record at the close of business on July 31, 1965.

By Order of the Board,
J. H. COLEMAN,
Chief General Manager.

July 13, 1965

FALCONBRIDGE NICKEL MINES LIMITED

DIVIDEND Number 85

Notice is hereby given that a quarterly dividend of Seventy-Five Cents (75c) per share has been declared by the Board of Directors of Falconbridge Nickel Mines Limited, payable in Canadian funds on August 31, 1965 to shareholders of record at the close of business on August 6, 1965.

By Order of the Board
G. T. N. Woodrooffe
Secretary

Toronto, Canada
July 8, 1965

APPOINTMENTS

University of Birmingham

Faculty of Commerce and Social Science

A research student is required to work with Mr. D. J. Smyth of the Department of Mathematical Economics and Mr. J. M Samuels of the Department of Industrial Economics and Business Studies on a study of research and development in British Industry. A suitably qualified applicant will be able to obtain a Science Research Council research studentship, value £340-£450 (under revision) for three years, and register for the Ph.D. degree.

Forms of application should be obtained from the Assistant Registrar, Faculty of Commerce and Social Science, University of Birmingham, Birmingham 15, by July 31, 1965

The University of Lancaster

Department of Economics

Applications are invited for the post of RESEARCH ASSOCIATE in the Department of Economics to work on a project concerned with the forecasting of the regional demand for electricity Salary £1,050 x £75—£1,200, initial salary according to age, qualifications and experience.

Applications and enquiries should be addressed to the Secretary of the University, Bailrigg House, Lancaster, from further particulars may be obtained Closing date for applications July 31, 1965

A FIRM OF LONDON STOCKBROKERS require a representative to take over management of their Brussels Office Candidates for this post must have fluent French and experience of general stockbroking, including knowledge of continental markets. The position carries considerable responsibility and provides a unique opportunity for a person of initiative and enthusiasm. Salary, living expenses, etc., will be discussed at personal interview. Apply in writing to the Manager, Spencer Thornton & Company, 8 Throgmorton Avenue, London, E.C.2.

BBC requires PROGRAMME ORGANISER for its EASTERN SERVICE

in London (British subjects only) responsible to Head of Eastern Service for services broadcasting in Urdu, Bengali and Sinhala. Duties include planning and production of programmes, supervision and co-ordination of duties of programme staff concerned with translation and broadcasting of news bulletins, commentaries and feature programmes. The post calls for qualities of energy, imagination and sound judgment. Essential qualifications: recent first hand experience of life and conditions in Pakistan or Ceylon (or, alternatively, considerable broadcasting experience), definite interest in, and knowledge of, international affairs with particular reference to South Asia, wide cultural and general background, sense of news values and proven organising ability. Desirable qualifications: knowledge of Urdu, Bengali or Sinhala most desirable, though not essential, but successful candidate must be willing to study Urdu in order to become reasonably fluent. Ability to write for broadcasting would be advantageous. Preferred age limits 30 to 45. Salary £1,950 (may be higher if qualifications exceptional) × £115 – £2,525. Write for application form (enclosing addressed envelope and quoting reference 65.G.463. Ect.) to Appointments Department, BBC, London, W 1 within five days.

Victoria University of Wellington

NEW ZEALAND

Senior Lecturer and Lecturer in Business Administration

Applications are invited for the above-mentioned posts.

It is expected that the two persons appointed will between them be able to offer specialisations in: Marketing and Distribution, the application of Statistical Techniques to Business Problems, but applicants offering other specialisations will be considered. Some experience in business as well as appropriate academic qualifications is essential.

The salary for a Senior Lecturer will be £2,300 per annum rising to £2,500 per annum and for a Lecturer £1,300 rising to £2,000 per annum with a bar then on recommendation to £2,200 per annum. The initial salary in each instance will be determined according to the qualifications and experience of the appointee.

Approved fares to Wellington will be allowed for an appointee and his family, together with actual removal expenses within specified limits.

Further particulars and information as to the method of application may be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in New Zealand and London, on *August 31, 1965*.

Oxford University

[illegible] Research Assistant to [illegible] Comparative Law. First class legal qualifications, knowledge of French [illegible]. Or [illegible] essential research experience desirable. Salary according to age, experience and qualifications up to £1,325 p.a. plus F.S.S.U. and N.I. contributions. Applications should be sent to the Registrar, University Registry, Oxford.

John Laing and Son Limited

require staff for recently formed Data Processing Department to assist in the installation of an IBM 360 computer.

There are vacancies for

Systems Analysts and Programmers

to engage on commercial applications within the group. Applicants should have 2-3 years' experience in the Data Processing field. Programmers should have a working knowledge of IBM computer systems.

Successful applicants will join newly formed project groups concentrating on implementing vital applications on the computer.

Salaries will be commensurate with qualifications and experience. Conditions of employment include three weeks' holiday and pension scheme.

Please write for application form to the

GROUP PERSONNEL MANAGER
(PIM 101)
JOHN LAING AND SON LIMITED
London, N.W.7

Hertfordshire

Watford Grammar School

Rickmansworth Road, Watford
(840 boys – 240 in Sixth)

Required for September, 1965, or [illegible] 1966, a master to teach
ECONOMICS AND POLITICS
in the Sixth Form.

A suitably qualified candidate could be appointed as a Head of Department with generous allowance but applications are invited from those without experience and those interested in a short-term appointment. Help with house-purchase and removal allowances generally available.

Applicants should write to the Headmaster giving full details of qualifications and interests, copies of any testimonials and names of two referees.

Technical Assistant (Investment and Loans)

Coventry was one of the first local authorities in the equity investment field and pioneers an active investment policy. In addition a substantial capital works programme necessitates the use of all forms of borrowing.

To deal with this growing investment and loans work a re-organisation is being undertaken in the Accountancy Division and this new post has been created.

The person appointed will be a keen young man, with appropriate qualifications, who is able and willing to take a substantial measure of responsibility.

The salary scale is £1,010 to £2,110 and the commencing salary will be fixed in accordance with qualifications and experience. 100 per cent advances for house purchase are available.

Application to City Treasurer, Council House, Coventry, by July 8th.

For further announcements see pages 286, 288 and 289

University of Adelaide

Lecturer in Politics

Applications are invited for the above-mentioned appointment.

No particular field of specialisation will be preferred.

Salary scale: £A2,400 x £A110 – £A3,170 with superannuation on the F.S.S.U. basis. The initial salary of the successful candidate will be fixed within the scale in accordance with qualifications and previous experience.

Further Information. A potential candidate should seek from the Registrar of the University or from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1, the following documents, (i) general *Conditions of Appointment*, which include particulars of tenure, superannuation, removal expenses, invalidity and study leave and (ii) a *Statement* giving further particulars of the post and of such matters as help in housing, conference grants and special support for research. The University will gladly supply any further information desired on request to the Registrar.

Applications, in duplicate, should give the information listed in paragraph 7 of the Statement and should reach the Registrar of the University, North Terrace, Adelaide, South Australia, *not later than July 31, 1965*.

The University of Liverpool

The University of Liverpool has several research projects concerned with increasing the efficiency of the building industry. A further development, financially supported by the Ministry of Public Building and Works, is designed to study the potential demand for building resources in the foreseeable future in the Merseyside area and to relate this demand to the resources available.

An *economist* with experience in industry or research who wishes to extend his knowledge of land use and building industry problems is required to take charge of this investigation. The study is expected to take three years.

The initial salary (lecturer scale) will be within the range £1,400 and £2,165 per annum.

Applications stating age, qualifications and experience, together with the names of three referees, should be received as soon as possible by the Registrar, from whom further particulars may be obtained.

Agricultural Economist

Zambia

Required to assist in the conduct of economic appraisals, the formulation of advice, the publication of information and the carrying out of economic surveys in the field of agricultural production and marketing, including development-planning.

Candidates must have a degree in economics or agricultural economics plus two years' appropriate post-graduate experience.

Salary Scale £1,180-£2,600 a year. 25 per cent gratuity. Passages provided. Education allowances. Quarters available. Three year contract.

Candidates, who should be nationals of the United Kingdom or the Republic of Ireland, should write for further details, giving full name, qualifications and experience and quoting RC 236/152/08 to:

Appointments Officer,
Room 301,
MINISTRY OF OVERSEAS DEVELOPMENT,
Eland House,
Stag Place,
London, S W 1

DEPARTMENT OF LABOUR
Research Division
PROVINCE OF NOVA SCOTIA
Requires the services of a

OFFICER

QUALIFICATIONS: Master's Degree or Minimum Bachelor's Degree with equivalent experience in liberal arts. Minimum two years' experience in the field of statistics and Economic Research including field work.

DUTIES: Conduct surveys and studies relative to training requirements in industries of Nova Scotia; develop and carry out surveys and collect data on all phases of Manpower Training needs; analyse and evaluate information received and organise the data for regular publication; design schedules, establish checking procedures, and develop compilation and tabulation programmes.

SALARY. Commensurate with qualifications and experience.

Full civil service benefits.

Application Forms may be obtained from the Nova Scotia Civil Service Commission, P.O. Box 943, Dennis Building, Halifax, Nova Scotia, Canada.

June 21, 1965 A2058

Training Systems Analysts

We need a Senior Instructor in our Training Centre at Ealing to help train rapidly increasing numbers of our own and our users' staffs in the field of Systems Analysis. The latest instructional methods are used at the Centre and we have developed advanced techniques for effective use in Systems Analysis. The successful candidate will be responsible to the Systems Training Officer and should have experience in one of the following:

Systems Analysis
Organisation and Methods
Operational Research

A knowledge of computer programming, accounting or work study would be advantageous.

If necessary we will train a person whose knowledge and experience in these activities is not sufficiently wide, provided he has the personality, imagination, and ability required for the post.

The salary will reflect the importance of the task and the breadth of knowledge and ability required. Future prospects are good in our rapidly developing Training Department.

Send full details of age, education, training and experience to:

F. G. Garrett, Personnel Officer, Dept. EE.R/27,
English Electric-Leo-Marconi Computers Limited,
Hartree House, Queensway, W.2.

EELM

ENGLISH ELECTRIC LEO MARCONI

BANK OFFICERS

GET OUT OF THE RUT!

Career appointments overseas are available to bankers of 20 to 35 years of age. Applicants up to age 25 should be single men and have completed at least Part I of the Institute of Bankers' Examination. Marriage is not a bar to older men, but they should have completed (or be in process of completing) Part 2 of the Institute Examination. These are career appointments with excellent prospects. The younger age group commences service in West Africa with emoluments normally in the region of £1,300 p.a. Salaries of older men are higher and will be considered at interview.

★ Free furnished quarters overseas

★ First-class non-contributory Pension Scheme and retirement at age 55.

★ Eighteen-month tours with 108 days' leave between each tour. £100 kit allowance on appointment. Free medical attention overseas (though our health record is excellent). Free travel.

Interviews arranged in London.

Write giving full particulars, to: The Secretary,
BANK OF WEST AFRICA LIMITED,
37 Gracechurch Street, London E.C.3

Insurance Investments

A leading insurance company has a vacancy at its Head Office in the City for a young graduate 25-30 with several years' experience of Stock Exchange transactions.

We offer the successful candidate a long-term career in a more stable environment than that to which he is accustomed, with good house purchase, life assurance and pension arrangement. Salary commensurate with qualifications, no scale. Apply in confidence to Box 1946

Actuarial Appointments

Government Actuary's Department

TWO PROMOTABLE posts in London for Fellows of the Institute of Actuaries or of the Faculty of Actuaries. Candidates (men or women) should normally be under 35, but older candidates with particularly valuable experience will be considered.

SALARY £1,905-£2,411 or £2,505-£2,901 according to qualifications and experience. Starting salary may be above minimum of either scale. Promotion prospects.

WRITE to Civil Service Commission, Savile Row, London W.1, for application form, quoting 6293/65. Closing date August 6, 1965.

COMMONWEALTH ECONOMIC COMMITTEE has vacancies for two Economic Assistants Grade B. Salary in the scale £965-£1,606 according to experience. Contributory (F.S.S.U.) superannuation scheme. Five day week. Preferred qualification good degree in economic subjects.

Applications giving curriculum vitae to Executive Secretary, Commonwealth Economic Committee, Marlborough House, Pall Mall, London, S.W.1.

University College of North Wales, Bangor

Department of Economics

APPLICATIONS ARE INVITED for the post of TEMPORARY LECTURER or ASSISTANT LECTURER in ECONOMICS. Candidates should have special interests in Micro Economics or Economic Statistics.

The appointment will be for a period of one or two years. The salary will be according to qualifications and experience within the scales £1,400-£2,505 for a Lecturer and £1,060-£1,725 for an Assistant Lecturer. In addition there are F.S.S.U. benefits.

TWO copies of the application, giving the names and addresses of three referees, should be sent by August 16, 1965, to the Registrar, from whom further particulars may be obtained.

SENIOR ECONOMIST/ SENIOR STATISTICIAN

CENTRAL BANK OF IRAQ

Applications are invited from graduates holding Ph. Degree in Statistics on economics for opportunities in the Central Bank of Iraq. The successful applicant will join the Statistics and Research Department and be associated with Economists and Statisticians whose main concern is the preparation of original economic studies with special reference to monetary, fiscal and development problems of Iraq. The statistician will be responsible for statistical compilation and analysis of post trends and the study of current and future trends in association with various economic activities. good knowledge in critical assessment in monetary, banking, fiscal, foreign trade and balance of payment is essential and relevant experience is desirable. Appointments will initially be on a contract basis for one year, with good opportunity for permanent career and good prospects of promotion. The starting salary will fully reflect qualifications and experience. All applications will be treated in confidence. Write, giving full particulars of age, degrees, qualifications and experience, to:

STATISTICS AND RESEARCH DEPARTMENT
CENTRAL BANK OF IRAQ
BAGHDAD—IRAQ.

SENIOR AND THIRD ASSISTANT ENGINEERS

The Electricity Council has two vacancies in the section of the Commercial and Development Department which deals with tariffs, marketing, and allied matters. The position of Senior Assistant Engineer becomes vacant owing to the promotion of the present holder to an Assistant Chief Officer of an Area Board, and the post of Third Assistant Engineer arises from the expanding work of the section.

These posts offer excellent opportunities for qualified engineers to further their experience of the economic and tariff aspects of electricity supply and the commercial operations of the supply industry generally. The duties will include appraisal of the industry's current and future tariff policy and other matters concerned with charges to consumers.

Experience in the distribution and commercial activities of the supply industry would be an advantage, but applications will also be considered from those having other appropriate experience. Preference will be given to those who are chartered electrical engineers or possess an engineering or economics degree.

The salary for the Senior Assistant Engineer will be within the Scale £2,445-£3,025 per annum inclusive, plus £60 p.a. supplementary payment. The maximum will rise to £3,125 on April 1, 1966. The salary for the Third Assistant Engineer will be within the scale £1,560-£1,945 per annum inclusive, plus £60 p.a. supplementary payment. The maximum will rise to £2,010 p.a. on April 1, 1966.

Applications stating age, present position, salary, qualifications and experience, should be forwarded to K. H. Hughes, Esq. Assistant Secretary (Establishments), The Electricity Council, 30 Millbank, London, S.W.1, by July 30, 1965, quoting reference ECO/473

OPPORTUNITIES FOR GRADUATES as JUNIOR ECONOMISTS

at the London Headquarters of THE ELECTRICITY COUNCIL

The Electricity Council has vacancies for Junior Economists in its Economics Branch. The work of the Branch consists of forecasting future electricity requirements, advising on the economic aspects of tariff policy, investment decisions, etc. Junior Economists are given experience in forecasting, tariffs, market research and other subjects which will fit them for a worthwhile career in this expanding industry.

SALARY —Commencing at £890 p.a. and rising within a scale to £1,205

HOLIDAYS—Up to 4 weeks a year

SICK PAY —Generous allowances depending on service

PENSIONS —A contributory scheme is in operation

CAREERS —Good prospects for advancement in a vital and expanding industry

Recent graduates who have obtained at least a Second Class Honours degree in economics or statistics are invited to make application to K. H. Hughes, Assistant Secretary (Establishments), The Electricity Council, 30, Millbank, London, S.W.1, giving details of age, qualifications, experience if any. Application to reach this address by July 23rd.

QUOTE REF. E477.

ASSISTANT STATISTICIAN

A new vacancy occurs at Isleworth for a fully qualified Statistician with previous experience of the practical application of statistical methods to act as Assistant to the Senior Statistician in our development team. The recent entry of Gillette into new product fields and the emphasis on superiority of existing products has resulted in an increasing demand from management for the application of modern statistical and operational research techniques. The successful applicant will be expected to apply an original and highly professional approach to a wide variety of problems.

Candidates should be in the age bracket early twenties to 30. Attractive salary and full range of benefits. Summer holiday arrangements honoured.

Applications, in writing, should give details of age, qualifications, experience and current salary and be addressed to: The Employment and Personnel Administration Manager, Gillette Safety Razor Company, Great West Road, Isleworth, Middlesex.

Gillette

Accountancy—Economics

The Rio Tinto-Zinc Corporation Limited wishes to appoint A YOUNG WOMAN AS ASSISTANT IN FINANCIAL PLANNING AND CONTROL SECTION concerned with operational reports and finance, long term cash and profit projections, control of capital expenditure throughout the world. The post should suit a young woman qualified in accountancy or with a degree in Economics and accountancy experience. Attractive commencing salary and other excellent conditions at the Group's central office at 6 St. James's Square, London, S.W.1. Please write to the Personnel Manager at above address or telephone Whitehall 2399.

Investment Trusts

Investment Trusts that are closed, unquoted or otherwise not recognised by the Finance Bill, are invited to seek merger with large quoted Investment Trust.

Apply Spicer and Pegler,
St. Mary Axe House,
56-60 St. Mary Axe, London
reference B14

THESE ARE MARTECH APPOINTMENTS

STATISTICIANS

We require more Statisticians with an imaginative approach. The successful applicants will be responsible for experimental designs, their analyses and for model building related to Industrial Market Research Surveys. Applicants should have two or three years' experience and a degree or the Final of the Institute of Statisticians, and should be currently earning at least £1,200

ECONOMETRICIANS

We need more young men with an economics background who are also trained in statistical methods. Some industrial or government experience would be useful but it is not essential. One of the successful applicants would be expected to spend his first year in Paris with our sister company SEMA, and a working knowledge of French would be useful. Salary will be negotiated and based on qualifications and experience

Applications, giving details of age, education, qualifications and experience, should be addressed to the Personnel Officer, Martech Consultants Ltd., 69 Grosvenor Street, London, W.1.

Martech are members of METRA, the largest fully integrated European Group of consultants in management research

University of Lancaster

S.R.C. Research Studentship

Applications are invited for a Science Research Council Research Studentship in the field of Applied Economics.

Applications and enquiries should be addressed as soon as possible to the Secretary, University of Lancaster, Bailrigg House, Lancaster.

UNITED NATIONS ASSOCIATION requires Secretary of its Student Association (UNSA). Salary scale: £730 to £965 p.a. Young, graduate with interest in international affairs and experience of student societies. Post is based on London but entails considerable travelling round the colleges. Particulars and form (returnable by August 6th) on application to UNA, 93 Albert Embankment, London, S.E.1

The University of Lancaster

Department of Economics

Applications are invited for an ASSISTANT LECTURESHIP in ECONOMICS

Further particulars of the appointment may be obtained from the Secretary, University of Lancaster, Bailrigg House, Lancaster, to whom applications should be sent not later than July 31, 1965

NEWS AGENCY Small company, hard working, requires lively assistant with interest in current affairs (ours), not below Sixth form, good education — Box 1919

The London School of Economics and Political Science

Applications are invited for the post of Research Officer in the Transport Network Theory Unit, which is concerned with research on transportation systems. Preference will be given to candidates with qualifications in mathematics, statistics, or econometrics. Salary on the scale £1,000 x £50 - £1,750 a year plus £60 a year London Allowance, with superannuation benefits. In assessing the starting salary consideration will be given to age and experience.

Applications, with the names of three referees, should be received not later than August 1st, 1965, by the Assistant Secretary, London School of Economics, Houghton Street, London, W.C.2, from whom application forms may be obtained.

University College of South Wales and Monmouthshire

BOARD OF MANAGEMENT STUDIES

Research Associate in Hospital Management Studies

Applications are invited from graduates for one post within the Department of Social Studies to develop research and teaching on Hospital Management Studies in Wales. Salary on the range £900-£1,675 according to experience. The post is for two years in the first instance but it is likely to be extended with the development of the work of the Board of Management Studies. Closing date for applications, August 21, 1965

Cathays Park,
Cardiff

The Economist

BINDING CASES

Binding cases for The Economist are available from Easibind Ltd. The cases are in stiff, dark blue cloth covers, and are gilt-lettered on the spine; they provide an extremely effective and firm binding and will hold 13 issues of the normal edition together with the quarterly Index, or 26 issues of the air edition with two quarterly Indexes. The year can be stamped on the spine. The cost per case, post free throughout the world, is 14s. Orders, stating requirements clearly and enclosing a remittance, should be sent, **not** *to The Economist, but to—*

EASIBIND LTD.

Eardley House, 4 Uxbridge Street, Kensington, London, W.8. PARk 0686 (3 lines)

STATISTICIAN

J. & J. COLMAN LTD., a member of the Reckitt & Colman group of companies, wishes to make a new appointment within the Statistical Department. The Company, which is pleasantly situated in the city of Norwich, manufactures a wide range of food products including mustards, soft drinks and infant foods.

The Statistical Department provides a service in both technical and commercial matters, in market research and commercial investigation, in laboratory experimental design and in production quality control.

Candidates should be under 30 years of age, preferably with an appropriate graduate qualification or have passed final examinations of the Institute of Statisticians.

Applications will also be considered from young men with a suitable qualification in mathematics and who have preferably completed part of the examinations of the Institute of Statisticians.

Please write, in confidence, with full particulars to the Personnel Director
J. & J. Colman Ltd., Carrow Works, Norwich. NOR 75A.

WHAT JAPANESE BANK IS OLDER THAN THE BANK OF ENGLAND?

The 282-year old Mitsui Bank.

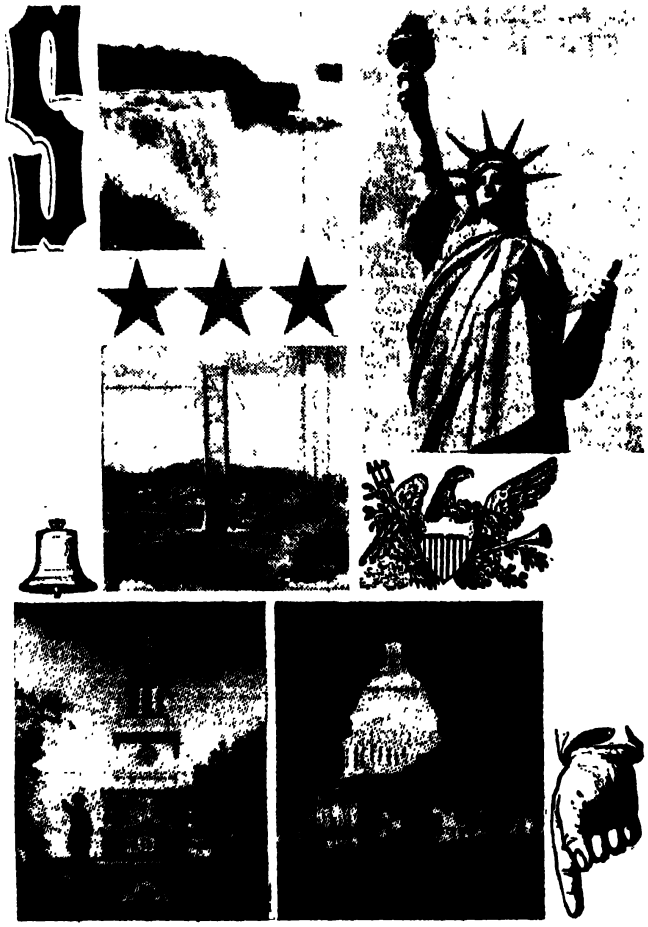
The first Mitsui Exchange House was founded in 1683. From it has grown a vast complex of industries, embracing every aspect of modern business life.

Because the Mitsui Bank still occupies a central position in this great business group, it can be of special help to you in your dealings with Japan.

We are experts in foreign trade and exchange. We are modern, fast, and conscientious. You'll find our branches or correspondent banks in every major city of the world.

THE MITSUI BANK, LTD.

HEAD OFFICE: YURAKU CHO, TOKYO, JAPAN
LONDON BRANCH:
No. 35 King Street, London, E.C. 2
OTHER OVERSEAS BRANCHES
NEW YORK • BANGKOK • BOMBAY • SINGAPORE



Only Sheraton Hotels give you Insured Reservations— In the heart of America's most exciting cities

Stay Sheraton and see America the most carefree, most enjoyable way possible. You can make an Insured Reservation right now for any of 85 Sheraton Hotels across the U. S. and Canada. And wherever you travel, you'll be in the centre of all the fun—in New Orleans, Washington, D.C., Niagara Falls, New York (the World's Fair city), Los Angeles and San Francisco.

And see the many free extras every Sheraton gives you. Free TV. Air-conditioning. Family Plan (children share your room free). Your room is big and comfortable (with private bath). There's a wide choice of fine restaurants at Sheraton to suit any budget.

For Insured Reservations at Guaranteed Rates, see your Travel Agent or: In London call the Sheraton Reservation Office, Kensington Palace Hotel, WEStern 7536 or 9822. In Brussels call Willy De Bruyn, Balsa Hotels Sheraton Affiliated, 5, Rue de Ligne, Brussels 1: 18-26-24.

SHERATON HOTELS & MOTOR INNS

Cambio + Valorenbank Zurich

Phone 47.54.04 Telex 52.642

Tokyo correspondent:

Marusan Securities Co Ltd Tokyo

TOKYO MARKET LETTER ON REQUEST

The friendliest, most forward-looking bank in Japan

The image of youthful energy and efficiency that the Saitama Bank projects is winning it many new friends among businessmen, both in Japan and abroad.

It offers the foreign businessman complete, modern, personalized service in the field of foreign trade and exchange. If you're looking for a bank that makes your interests its own, the Saitama Bank is your logical choice.

SAITAMA BANK

Head Office: Urawa, Saitama Pref.
Cable Address: SAIGIN TOKYO Telex: TK2811 (SAIGIN TK2811)
Tokyo Branch & Foreign Dept.: Chuo-ku, Tokyo

NO MATTER HOW, WHEN, OR WHY YOU TRAVEL TO SWITZERLAND

it pays to consult with the

UBS

UNION BANK OF SWITZERLAND

SCHWEIZERISCHE BANKGESELLSCHAFT
UNION DE BANQUES SUISSES
UNIONE DI BANCHE SVIZZERE
HEAD OFFICE: ZURICH, Bahnhofstrasse 45
OVER 90 BRANCHES THROUGHOUT SWITZERLAND

DISTRESS CALL

answered always by the life-boats with their volunteer crews. Are you also ready to answer *their* call? The life-boat service depends entirely upon voluntary support.

Donations and legacies to:
ROYAL NATIONAL LIFE-BOAT INSTITUTION
42 GROSVENOR GARDENS · LONDON · S.W.1.

Treasurer: The Duke of Northumberland, K.G. *Secretary: Sterling Whorlow, Esq.*

RNLI

Professional Banking Service With A Personal Touch

The BANK of KOBE, Ltd.
Head Office: Kobe, Japan
Overseas Office:
London Representative Office

Estate Duty Problems?

There's no need to lose control of your business

Ask for EDITH's booklet 'Providing for Estate Duty', which will explain how we can help without taking more than a *minority* holding in your equity

Estate Duties Investment Trust Limited

Piercy House, 7 Copthall Avenue,
London EC2 National 0581

and all branches throughout the country of the Secretaries and Managers

Industrial & Commercial Finance Corporation Limited

Registered as a Newspaper. Authorised as Second Class Mail. Post Office Dept. Printed in England by St. Clements Press Ltd. London E.C.4. Published by The Economist Newspaper Ltd. [illegible] St. James's Street, London S.W.1. Telephone Whitehall 8000. Price [illegible] in the United Kingdom [illegible]. Overseas [illegible]

STOCK PRICES AND YIELDS

LONDON STOCK EXCHANGE INDICES

	THE ECONOMIST-EXTEL INDICATOR (1953=100)				FINANCIAL TIMES (1935=100)		FT-ACTUARIES INDICES (April 10, 1962=100)			Bargains Marked
1965	Noon	Close	Yield %		Ord. Index	Yield %	500 Shares	Yield %	2½% Consols Yield	
July 7	363·6	362·9	5·91		315·8	6·17	99·41	5·98	6·69	8,560
" 8	362 2	362·9	5·91		315·8	6·17	99·46	5·98	6·69	8,491
" 9	365·6	366·7	5 84		319 0	6·11	100·14	5·93	6 67	8,743
" 12	368·4	367·9	5 82		319·9	6·09	100·37	5·92	6·69	9,773
" 13	365·4	365·0	5·87		317·5	6·14	99·97	5·94	6·72	9,170
" 14	365·1	365·2	5·86		317·8	6·13	100·15	5·93	6·69	8,804
	High, 405 2 (May 14) Low, 361·1 (July 5)				High, 359 1 (May 3) Low, 315 5 (July 5)		High, 111·39 (February 18) Low, 99·17 (July 5)			

Prices, 1965 High	Low	BRITISH FUNDS DOMINION AND CORPORATION STOCKS		Price, July 7, 1965	Price, July 14, 1965	Net Red. Yield, July 14, 1965§ £ s.	d.	Gross Red. Yield, July 14, 1965 £ s.	d.
99 25/32	97 11/16	Savings Bonds 3%	1955–65	99.14.10	99.15.6	3 5	7	5 11	7
92 15/16	90 7/8	Savings Bonds 2½%	1964–67	92 27/32	92 5/8	4 11	2	6 18	9
84 9/16	82 7/8	Savings Bonds 3%	1960–70	84½	84¼	4 11	1	6 19	3
79 9/16	76¾	British Electric 3%	1968–73	78¼	78¼	4 9	10	6 16	4
75	71½	Savings Bonds 3%	1965–75	73⅛	71½*	4 12	10	6 18	11
73¾	70¼	British Electric 3½%	1976–79	71	70¾	4 8	9	6 15	9
61¼	56½	British Transport 3%	1978–88	56⅞	56¾	4 9	5	6 14	9
92	88¼	Funding 4%	1960–90	91¼	91⅛	3 10	9	5 6	8
58⅞	53⅜	British Gas 3%	1990–95	53⅜	53½	4 7	0	6 13	1
88½	82½	Treasury 5½%	2008–12	83½	83¼	4 1	2	6 16	7
55 5/16	51¼	War Loan 3½%	after 1952	51⅝	51⅜	4 0	5	6 17	5
40 3/16	37	Consols 2½%		37½	37⅜	3 18	8	6 14	1
87½	85⅝	Australia 3¼%	1965–69	86⅛*	86¼*	.		7 0	6
89¾	87¼	Birmingham 4¼%	1967–70	87¾	87¾	...		7 2	0
104¼	99½	LCC 6¼%	1974	100⅜	101⅛	...		6 13	6
98¼	94½	Australia 6%	1974–76	95½	95½	...		6 14	0
102⅛	97¼	Bristol 6½%	1975–77	97¾*	97¾*	...		6 13	6
98¾	94¼	New Zealand 6%	1976–80	96⅛	96	...		6 12	6
83	80½	Northern Rhodesia 6%	1978–81	81	81	...		8 1	0p
103⅝	99⅛	LCC 6¼%	1988–90	99½	99⅜	...		6 15	10
55½	53½	Southern Rhodesia 4½%	1987–92	53½*	54*	...		9 0	0
45¾	43	LCC 3%	after 1920	43¼	43	...		6 19	0

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, July 7, 1965	Price, July 14, 1965	Yield, July 14, 1965 % ‡‡	Cover
			BANKS, DISCOUNT & HP					
62/-	53/3	6½ a	Barclays £1	56/-	57/3*	56/3*	4·1	...
47/9	39/3	5 a	Lloyds £1	41/6	43/-*	42/6*	4·4	...
18/4½	16/-	7½ a	Martins 5/-	17/7½	17/7½*	17/7½*	4 3	...
59/-	50/9	6½ a	Midland £1	51/6	53/-	53/6	4·5	...
72/3	62/6	8 a	Nat. Provincial £1	66/6	65/9	65/3	4·9	...
61/9	47/6	6⅜ a	Westminster 'B' £1	54/9	58/9	57/9	4·5	...
48/-	39/3	8 b	Australia & N. Z. £1	44/6	41/-	40/6	5·9	...
37/3	28/9	6 b	BOLSA £1	33/3	29/3	28/9	6·6	...
£25 9/16	£22¼	$2·20c	Bank of Montreal $10	£23 11/16	£22⅜	£22⅛	3·3	...
55/3	43/3	5‡‡c	Bank of New S. Wales £1	48/3	44/3	44/3	3·6	...
39/9	37/-	5½ a	Barclays DCO £1	39/3	38/9	38/-	5·8	...
47/3	41/6	7½ b	Chartered £1	46/6‖	42/9	43/3	6·9	...
£12⅛	£8⅜	6/6b	Hongk'g. & Shang. $25	£9⅛	£8¾	£8⅝	5·2	...
30/8¼	24/6	5 a	Nat. Com. Bk. Scot. 10/-	27/6	25/6	25/3	4·8	...
£30⅛	£26½	$2·60c	Royal Bk. Canada $10	£28¾	£27⅛	£26¾	3·2	...
60/-	51/9	10 b	Standard Bank £1	57/9	52/9	51/9	6·8	...
29/7½	23/3	16½ b	Hambros 5/-	27/-	23/9	23/6	5·1	...
14/8¼	10/11½	4 a	Hill, Samuel 5/-	12/7½	10/7½	10/10½	4·6	...
31/3	26/6	24 c	Montagu Trust 5/-	31/6	26/6	27/-	4·4	...
59/-	47/-	6 b	Schroders £1	59/-	47/6	47/6	4 0	...
50/-	43/-	6¼ a	Union Discount £1	45/9	43/-	43/3	5·8	...
11/11½	9/3	4 a	Bowmaker 5/-	10/-	9/3*	9/4½*	8 0	1·4
18/-	13/-	15 b	Lombard Banking 5/-	16/-	13/3	13/9	7·3	...
15/3	13/9	7½ a	Mercantile Credit 5/-	14/6	14/9	14/9	6·8	1·7
17/6	15/3	9 a	United Domins. Tst. 5/-	17/3	15/10½	16/-	6·3	1·4
			BREWERIES, Etc.					
14/7½	11/9	9½ b	Allied Breweries 5/-	12/4½	12/-	12/1½	6·0	1·5
18/4½	13/7½	4 a	Bass, Mitchells & B. 5/-	15/3	13/9	14/1½	5·7	1·8
15/1½	12/3	10 b	Charrington United 5/-	13/4½*	12/4½	12/7½	5·9	1·7
24/6	20/-	6½ b	Distillers 10/-	22/9	20/3	20/6	5·6	1·8
22/-	18/3	8 a	Guinness 5/-	20/3	18/3	18/3	5·8	1·7
19/-	13/5¼	11½ b	Harveys 5/-	15/3	18/6	18/3	4·5	1·7
65/6	53/6	8 b	Scottish & Newc. Brew. £1	60/6	55/9	53/6	5·2	1·9
17/7½	13/4½	4⅜ a	Watney Mann 5/-	14/9	13/6	13/9	5·8	1·9
16/7½	13/4½	9 b	Whitbread 'A' 5/-	14/-*	13/4½	13/6	7·4	1·8
			BUILDING, PAINT, Etc.					
59/7½	47/9	6½ b	Associated Portland £1	56/6	47/9	48/9	4·1	2·4
27/9	20/9	6½ b	British Plaster Bd. 10/-	25/9	22/11½*	22/6*	4·9	2·0
26/3	19/7½	12 b	Richard Costain 5/-	24/6	19/10½	20/11½	5·0	3·4
10/9	8/-	8½ b	Crittall Hope 5/-	8/7½	8/3	8/09/8	7·4	1·9
16/3	12/3	17 b	International Paints 4/-	14/10½	13/3	13/3	7·5	1·7
25/6	19/9	15 b	London Brick 5/-	23/3	20/9	19/9	5 1	2·2
27/3	20/7½	10 b	Rugby Portland 5/-	26/1½	21/-	20/10½	3 6	3·1
			CHEMICAL					
24/6	21/-	16 b	Albright & Wilson 5/-	23/3	21/-	21/-	5 0	1·8
19/9	16/10½	11 b	Borax Defd. 5/-	19/4½	17/-	17/3	4 6	2·3
56/-	49/-	5 a	Fisons £1	53/6	49/3	49/9	4·8	1·7
49/1½	42/4½	7½ b	I C I £1	45/3	44/10½	44/6	5·6	1·3
16/3	13/1½	10 b	Monsanto 5/-	13/6	13/3	13/4½	5·1	1·3
			DRAPERY & STORES					
17/7½	14/6	8 b	Boots Pure Drug 5/-	16/-	15/1½	15/4½	3·9	2·3
26/6	19/9	2 a	Montague Burton 10/-	25/6	23/1½	22/9	3·5	1·6
38/3	30/4½	6¼ a	Debenhams 10/-	33/3*	30/6	31/4½	6·9	1·5
37/6¾	32/8¼	21¾ b	Grattan Warehouses 5/-	35/6*	38/1½	35/6	4·3	1·7
45/6	38/7½	25 b	GUS 'A' 5/-	43/-	40/-	41/7½	4·2	2·1

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, July 7, 1965	Price, July 14, 1965	Yield, July 14, 1965 % ‡‡	Cover
25/3	20/-	18⅓ b	House of Fraser 5/-	23/9	20/-	20/10½	7·8	1·3
13/4½	10/1½	10 b	Lewis's Invest. Tst. 4/-	12/1½*	10/1½	10/4½	5·8	1·8
35/6	32/6	20 b	Marks & Spencer 'A' 5/-	34/6	34/6	34/9	4·1	1·4
30/6	27/-	6 a	United Drapery 5/-	28/3	27/3	27/9	4·7	1·8
23/3	18/1½	5½ a	Woolworth 5/-	19/7½	18/1½	19/4½	5·2	1·4
			OIL					
54/9	44/-	†8⅓ b	British Petroleum £1	51/3*	50/9	50/6	7·9	2·6
51/9	44/3	†8⅓ b	Burmah Oil £1	49/3	45/9	45/6	9 7	1·1
£17 13/16	£14¾	18·3b	Royal Dutch 20 fl.	£15 9/16	£15¼	£15 9/16	3·8	2·1
36/4½	29/1½	†18⅓ b	Shell Transport 5/-	32/10½	29/4½	30/-	8·5	2·0
30/3	22/-	...	Ultramar 10/-	28/4½	22/6	23/-	...	...
			ELECTRICAL & RADIO					
53/3	38/-	8¼ b	AEI £1	46/-	45/9	45/6	5·3	1·5
76/11½	61/7½	10 b	BICC £1	69/7½*	61/7½	63/9	(5·0)	2·0
12/7½	9/6¾	4·4 a	Crompton Parkinson 5/-	13/9¾	10/03/4‖	9/6¾‖	5·1	2·2
75/-	62/-	10 a	Decca 10/-	70/6	63/-	63/6	4·3	1·8
27/9	21/4½	5 a	EMI 10/-	26/9	21/9	21/9	5·7	2·3
18/6	12/2¼	6½ b	Elliott-Automation 5/-	15/9	12/3¾	12/2¼	4·3	1·8
55/3	42/3	9 b	English Electric £1	47/7⅛	46/-	45/3	5·3	1·9
46/9	38/6	3 a	General Electric £1	39/10½	39/3	39/9	4·3	2·7
63/9	44/-	8⅛ b	C. A. Parsons £1	58/9	55/3	54/3	4·6	1·2
132/11½	101/3	10 b	Philips Lamp Works 10 fl.	†28/6	111/-	†12/-	2·9	2·3
38/7½	29/3	7 a	Plessey 10/-	34/4½	29/9	30/4½	4·0	2·5
18/7½	12/6	20 c	Pye (Cambridge) 5/-	16/-	12/9	13/-	7·7	2·0
42/3	35/3	20 a	Radio Rentals 5/-	40/7½	35/6	35/3	5·7	2·1
61/3	44/-	7½ b	A. Reyrolle £1	50/-	52/9	53/3	3·7	3·1
76/-	52/3	15 a	Thorn Electrical 5/-	65/6	53/3	54/3	2·1	4·4
			ENGINEERING					
39/9	30/9	5½ b	Babcock & Wilcox £1	34/3	33/6	33/6	6·0	1·4
40/6	33/-	4 a	John Brown £1	37/10½	35/7½	36/-	6·1	1·3
9/-	7/-	8 b	Cammell Laird 5/-	8/3¾	7/3	7/1½	8·4	0·4
14/-	11/4½	5 a	Internat. Combust. 5/-	27/3	12/2¼	12/5¼	6·0	1·2
26/3	20/4½	7½ b	Swan Hunter £1	23/6	21/9	21/6	9·3	0·6
8/6¾	6/5¼	5¾ b	John Thompson 5/-	8/3¾	6/9¾	6/8¼	6·5	0·6
35/6	26/4½	†3¾ a	Coventry Gauge 10/-	32/-	27/3	27/3	6·2	1 9
56/6	42/-	†2 a	Alfred Herbert £1	53/1½	48/1½	48/-	5·7	1·6
27/6	22/3	12½ a	Acrow (Eng.) 'A' 5/-	26/6	22/10½	23/-	(5 0)	1·6
25/6	17/6	17½ b	Allied Ironfounders 5/-	24/3	17/9	18/10½	6 6	1 8
23/9	19/9¾	17½ b	Averys 5/-	22/6	21/3	22/6	5·0	1·7
24/10½	18/3¾	5 a	BSA 10/-	20/8¼*	21/-	21/-	(5·7)	2·0
12/-	9/6	8 b	George Cohen 5/-	10/-	10/1½	10/4½	5·8	2·2
15/7½	11/7½	5 a	Davy-Ashmore 5/-	12/10½	13/-	12/10½	4 3	...
56/3	45/9	9 b	Guest, Keen £1	48/-	48/-	47/9	5·9	2 0
19/6	12/6	12 b	Head Wrightson 5/-	19/-	13/-	12/6	6·4	1·3
58/3	50/6	7½ b	Metal Box £1	55/11½	51/3	50/6	5 0	1·7
17/8¼	15/3	6 a	Ransome & Marles 5/-	16/4½	15/3	15/6	5·5	2·1
40/10½	34/1½	5 b	Renold Chains £1	38/9	34/1½	35/10½*	5·3	1·9
72/9	58/4½	7½ a	Tube Investments £1	59/-*	59/-	58/9	5·1	1·9
28/3	20/9	7½ b	Vickers £1	23/6	20/10½	21/7½	9·2	0·5
48/6	38/6	9⅛ b	Ward (Thos. W.) £1	42/9	41/3	41/1½	8·5	1·9
14/9	10/4½	7 a	Wellman Smith Owen 5/-	11/9	10/9	11/3	(6·7)	1·0
18/6	14/3	16 b	Woodall-Duckham 5/-	15/6	16/4½	16/1½	6·5	1·3
			FOOD & TOBACCO					
33/3	28/-	16 a	Allied Suppliers 10/-	28/6	31/9	31/9	5·0	2·1
7/9	7/-	15 b	Assoc. British Foods 1/-	7/7½	7/1½	7/1½	4·4	2·0
40/-	32/7½	8 b	Bovril £1	36/3	33/-	32/7½	7·4	2·2
12/4½	10/6	†2½ a	Brooke Bond 'B' 5/-	11/7½	10/7½	10/9	3·9	2·8
8/7½	7/3	7 a	Fitch Lovell 2/6	7/7½	7/4½	7/6	(4·7)	2·4
10/7½	8/10½	1½ a	International Stores 5/-	9/8	9/10½	9/10½	5·1	2·0
59/6	50/6	10 b	J. Lyons 'A' £1	52/-‖	51/3	50/6	5·3	1·6
33/10½	26/7½	5½ a	Ranks Hovis 10/-	29/9	27/-	26/7½	6·0	1·9
32/1½	26/6	7 b	Reckitt & Colman 10/-	28/3	27/-	27/-	5·2	2·2
15/9	12/10½	9½ b	Spillers 5/-	15/4½	13/-	13/-	5·0	2·3
35/3	28/9	2 a	Tate & Lyle £1	31/-	30/6	30/3	6·6	2·0

FOREIGN AND OVERSEAS STOCKS

	July 7 Frcs.	July 14 Frcs.		July 7 %	July 14 %		July 7 %	July 14 %
FRANCE			**GERMANY**			**HOLLAND**		
Air Liquide	571	565	A.E.G.	420	417½	A.K.U.	457½	460½
Banque de Paris	298	293	Bad'che. Anilin.	433	443	Amster. Rot. Bk.	Fl. 61·2	Fl. 62·7
Citroen	145·1	146	Bayer	390	391	Bijenkorf	617	630
C. F. Petrole	173	171	Commerzbank	373	376	Heineken	464	472
Cie G. d'Elect.	476	474	Deutsche Bank	405	413	Internale (Fl.50)	Fl.185	Fl.186
Machines Bull	91·2	90	Hoechst Farb.	480	492½	K. N. Hoogoven	495½	498
Pechiney	183	180	Kundenkredit	341	344	Kon. Zout-Ket.	845	890
Printemps	199	195	Loewenbrau	1,045	1,030	Philips (Fl.25)	Fl.125·7	Fl.127
Rhone-Poulenc	270	265·5	Mannesmann	199½	199½	Robeco (Fl.50)	Fl.217	Fl.218
S.I.M.	307·5	308	Siemens	479	480	Thomassen & D.	510	511
Saint-Gobain	189	185	Thyssen-Huette	178	182	Veleurop	Fl. 64·0	Fl. 64·0
Usinor	98	97	Volkswagen	502	508	Zwanenbg (Fl20)	Fl.178·5	Fl.178
Index	*88·0*	*87·0*	*Herstatt Index*	*91·82*	*93·45*	*Index*	*331·4*	*331·5*
High	*101·4*	*(31.3.65)*	*High*	*105·22*	*(8.1.65)*	*High*	*370·9*	*(2.3.65)*
Low	*87·0*	*(13.7.65)*	*Low*	*89·09*	*(29.6.65)*	*Low*	*320·2*	*(29.6.65)*
	Dec. 31, 1964=100.			*Dec. 31, 1959=100.*			*1953=100.*	

ITALY	Lire	Lire	BELGIUM	Frcs.	Frcs.	SWEDEN	Kr.	Kr.
Ass. Generali	80,300	82,400	Arbed	4,535	4,640	Alfa Laval B.	365	367
Breda	3,060	3,152	Bque. Soc. Gen.	4,085	4,055	Asea	530	540
Edison	2,035	2,060	Ciment'ies Briq.	3,075	3,055	Elektrolux	217	215
Fiat	1,887	1,925	Cockerill-Ougr.	1,780	1,824	Ericsson B. Kr.50	238	237
Pirelli	825	844·5	Esperance Long	2,380	2,510	Skand. Banken	171	169
La Centrale	9,390	9,530	Hoboken	5,370	5,460	Sv. Cellulosa	220	225
Montecatini	1,412	1,441	Innovation	3,850	3,810	Sv. Handelsbank	184	193
Motta	11,120	11,395	Petrofina	1,846	1,844	Tandstk. B. Kr.50	162	160
Olivetti	1,692	1,726	Photo Gavaert	2,298	2,308	*Index*	*254·63*	*258·36*
Pirelli S.p.A.	2,809	2,844	Soc. Generale	15,250	15,200	*High*	*260·72*	*(1.7.65)*
Rinascente	220	229	Sofina	8,840.	8,860	*Low*	*238·72*	*(23.4.65)*
Snia Viscosa	3,910	4,003	Un. Miniere 1/10	820	820		*Dec. 29, 1956=100.*	
Index	*52·28*	*53·40*	*Index*	*124·88*	*125·32*			
High	*64·59*	*(18.3.65)*	*High*	*135·46*	*(8.1.65)*	**NORWAY**	%	%
Low	*49·53*	*(14.1.65)*	*Low*	*124·70*	*(8.7.65)*	Bergens Priv'bk.	170	170
	Jan. 2, 1962=100.			*Dec. 31, 1953=100.*		Borregaard	171	172
						Norsk Hydro	227½	230

* Ex dividend. † Tax free. § The net redemption yields allow for tax at 8s. 3d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Equivalent to 8·0 sterling. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) To earliest date. (f) Flat yield. (g) Ex all. (h) After Zambian tax. (l) To latest date. (n) Interim since reduced or passed. (p) Resulting from split of Federation of Rhodesia and Nyasaland Stock. Japanese prices supplied by Daiwa Securities, Tokyo. Canadian 65 Stock Industrial Index supplied by the Montreal Stock Exchange. ** Yields in brackets are on forecast dividends.

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, July 7, 1965	Price, July 14, 1965	Yield, July 14, 1965 %	Cover
10/10½	8/4½	18 b	Tesco Stores 1/-	9/10½	10/3	10/3	(3·9)	2·4
13/10½	12/9	5 a	Unigate 5/-	13/-	12/10½	12/9	5·8	1·7
55/-	44/9	‡10⅝ b	Brit. Amer. Tobac. .10/-	48/-	47/6	47/6	7·8	2·4
26/4½	21/-	14 b	Gallaher 10/-	22/9	23/7½	23/9	7·8	2·1
57/3	47/-	14 b	Imperial Tobacco.....£1	40/3	51/6	52/3	7·7	1·6
			INSURANCE					
6⅛	5¼	48 b	Britannic 5/-	5½	5 13/16	5 15/16	4·6	—
43/9	36/3	25 b	Commercial Union ..5/-	42/3	42/9	43/9	5·1	—
5	4⅛	†40 c	Equity & Law Life ...5/-	4½	4¾	4 13/16	3·5	—
49/9	40/3	25 b	General Accident....5/-	49/9	45/3	46/3	4·1	—
34/3	27/3	15 b	Guardian............5/-	29/9	32/3	33/3	4·0	—
9¾	8¼	50 b	Legal & General.....5/-	9	8⅞	9	2·8	—
122/6	97/6	13 b	Northern & Empl.....£1	121/3	116/3	117/6	4·1	—
49/3	37/-	†110 b	Pearl 5/-	10⅛	45/7	45/3	4·9	—
38/3	28/3	†47·9b	Prudential 'A'.......1/-	29/6	32/6	31/9	4·2	—
37/9	30/9	20 b	Royal 5/-	36/3*	36/3	36/9	4·0	—
74/9	62/3	11¼ b	Royal Exchange £1	73/3	71/3	73/9	5·1	—
			MOTORS & AIRCRAFT					
15/1½	12/4½	5 a	Birfield 5/-	15/-	12/4½	12/4½	4·0	1·9
15/1½	12/10½	7½ a	British Motor 5/-	14/8¼	13/-	12/10½	7·0	1·7
33/1½	26/4½	15 a	Jaguar Cars 'A'......5/-	30/-	27/9	26/9	2·8	6·8
9/2¼	6/6	4 a	Rootes Motors 'A'....4/-	7/1½	6/6	6/6	2·5	8·1
58/-	48/-	2½ a	Leyland Motors £1	53/6	48/9	49/3	4·5	2·3
18/-	14/6	8½ b	Bristol Aeroplane...10/-	15/10½	15/1½	15/-	9·0	2·0
38/3	27/10½	7 b	Hawker Siddeley £1	29/10½	31/6	31/10½	7·5	1·7
40/3	31/3¾	7½ b	Rolls-Royce.........£1	35/10½	38/-	37/1½	5·4	1·9
20/4½	15/3¾	†1·93a	Dowty Group......10/-	17/10½	15/10½	16/3¾	5·0	2·9
31/6	26/4½	10·8 b	Dunlop Rubber 10/-	29/4½	26/6	26/4½	6·0	1·8
35/9	31/-	2½ a	Joseph Lucas £1	32/9*	31/6	31/-	5·4	2·4
12/3¼	8/9	13 b	Pressed Steel........5/-	10/11¼	9/6	9/3	9·5	2·0
30/4½	24/6	5⅜ b	Triplex Holdings... 10/-	24/10½	24/6	24/6	(5·0)	—
			PAPER & NEWSPAPERS					
46/6	39/-	20 b	Financial News......5/-	44/9	39/6	39/-	3·3	2·9
67/-	59/-	30 b	Financial Times......5/-	66/9	59/6	59/-	3·2	2·7
18/3	15/7½	14 b	Internat. Publishing ..5/-	15/9	16/4½	16/6	6·1	1·8
31/6	22/9	16 b	News of the World..5/-	27/3	23/3	23/3	6·8	1·7
56/6	48/3	8½ b	W. H. Smith & Son 'A'.£1	53/-	49/6	48/9	5·1	2·0
21/9	17/9	18 b	Thomson Org'n. 5/-	20/3*	19/6	18/9	7·1	1·4
46/-	38/7½	8¾ b	Bowater Paper.......£1	45/9	41/-	41/9	6·6	1·8
21/9	18/-	10 a	British Printing......5/-	19/3	19/-	18/4½	6·1	1·8
30/-	24/-	17½ c	Bunzl Pulp 5/-	27/9	27/-*	27/9*	3·3	4·5
57/6	47/-	12 b	Reed Paper..........£1	50/9	52/-	53/9	6·3	1·5
50/1½	44/3	10 b	Wiggins Teape £1	46/9	44/9	44/3	6·3	1·9
			STEEL					
42/3	25/10½	6 a	Colvilles £1	28/6	31/6	32/3	9·9	1·4
29/-	23/4½	4 a	Dorman Long........£1	25/3	26/-*	25/11¼*	10·8	1·2
31/-	19/-	2 a	Lancashire Steel......£1	19/3	21/9	22/3	(n)	0·9
24/-	16/6	4 a	South Durham £1	18/-	18/8¼	19/2¼	12·8	1·3
28/6	17/7½	3⅜ a	Steel Co. of Wales....£1	19/-	23/3¾	24/-	8·3	...
36/3	30/-	5 a	Stewarts & Lloyds £1	32/3	32/6	33/1½	10·6	1·6
35/3	27/3	6 a	John Summers £1	30/3	32/3	33/1½	9·7	1·7
36/6	27/-	6 a	United Steel £1	29/3	29/9	31/1½	9·6	1·1
			MISCELLANEOUS					
26/4½	23/-	20 b	Assoc. British Picture.5/-	23/10½	23/-*	23/9*	6·3	2·9
14/11¼	12/10½	12½ b	Assoc. Television 'A'.5/-	14/2¼	13/11¼	14/3¾	7·9	2·0
30/3	27/1½	6½ b	Wm. Baird £1	29/1½	27/9	27/6	6·9	2·4
22/3	19/-	11 b	Beecham Group.....5/-	19/10½	19/7½	20/3	4·9	2·0
19/3	16/9	†6⅔ b	Bookers...........10/-	19/-	17/-	17/3	9·9	2·1
44/-	36/4½	3⅓ a	British Match £1	41/1½	37/3	37/1½	5·8	1·9
10/3	8/6¾	3 a	British Oxygen 5/-	9/1½	8/8¼	8/6¾	5·8	1·6
12/9	9/4½	11 b	British Ropes 5/-	11/-	11/-	11/6	6·1	1·8
11/6	9/4½	37½ b	Butlin's 1/-	10/9	9/6	9/10½	5·6	1·2
31/9	22/9	10 b	De La Rue.........10/-	27/6	23/9*	22/9*	6·6	1·7
19/-	13/10½	12 c	Drages..............5/-	16/10½	14/4½	14/10½	4·9	2·9
25/9	19/6	4 b	Gestetner 'A' 5/-	25/3	19/9	20/6	3·9	2·7

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, July 7, 1965	Price, July 14, 1965	Yield, July 14, 1965 %	Cover
32/9	29/6	6 a	Glaxo..............10/-	31/3*	30/1½	30/-	4·5	2·3
46/9	38/9	3 a	Harrisons & Cr. Dfd..£1	42/3*	43/6	43/9	6·9	2·0
48/4½	40/7½	45 b	Hoover 'A' 5/-	45/3	40/10½	40/7½	7·4	2·1
102/6	85/6	13·27b	Hudson's Bay £1	92/3	89/-	91/9	4·4	2·4
48/6	32/6	4⅙ a	ICT..................£1	44/3	33/-*	33/-	6·8	...
20/3	16/-	12 b	Mecca 'A' 5/-	17/-	17/1½	17/-	6·8	1·0
35/-	27/-	12½ c	National Canning £1	29/1½	27/-	27/-	9·3	1·1
21/3	16/-	8 b	Powell Duffryn.....10/-	19/4½	18/3	18/6	5·9	2·1
31/3	21/1½	8 a	Rank Organisation...5/-	24/6	21/7½	21/10½	(4·8)	2·6
13/1½	11/7½	9½ b	Schweppes 5/-	12/-	12/9	12/9	5·3	1·6
21/6	18/3	25 c	Sears 'A' 5/-	19/6¾*	19/6	19/7½	5·4	1·6
18/-	15/2¼	11·2b	Steetley 5/-	20/1½	15/7½	15/6	4·9	2·0
25/4½	21/4½	18½ b	Thomas Tilling 4/-	23/6*	21/4½	21/7½	5·3	1·9
43/7½	35/-	3¾ a	Turner & Newall......£1	42/-	35/-	35/-	6·1	1·7
36/1½	30/4½	15⅝ b	Unilever 5/-	31/9*	31/3	31/-	4·0	3·0
9½	8¼	13·25b	Unilever NV ...... 12 fl.	8 7/16	9⅛	9	2·8	3·0
11/7½	8/3	10 b	United Glass 5/-	11/1½	8/6	8/7½	8·7	0·8
34/7½	25/-	†8¼ a	United Molasses 10/-	33/-	31/6 bid	31/6 bid	(4·8)	...
			MINES					
293/9	238/9	80 a	Anglo-American....10/-	271/3*	290/-	293/9	4·1	1·8
20/9	17/-	...	Charter Cons. 5/-	19/7½	18/9	19/3	...	...
101/3	86/6	11¼ a	Consolid. Gold Fields.£1	95/9*	95/9	96/6	6·2	2·2
146/3	130/-	20 b	General Mining £1	136/10½	141/10½	142/6	4·9	2·5
116/3	103/1½	120 b	Union Corporation ..2/6	108/9	112/6	113/9	3·5	3·0
146/3	121/3	120 b	Free State Geduld ...5/-	128/9*	136/10½	146/3	6·5	1·3
126/3	101/10½	40 b	W. Driefontein.....10/-	113/9	123/1½*	126/3	5·9	1·9
83/9	60/-	6¼ a	Western Deep 'A'....£1	78/1½	77/6	82/6	3·6	4·9
227/6	198/9	160 b	Western Holdings ...5/-	213/9*	221/10½	226/3	6·1	1·2
52/3	38/-	8 17/32 a	Roan Selection Tst. ...£1	40/-	43/9	43/9	10·0h	1·2
13/7½	11/3	7½ c	Tanganyika Cons....10/-	12/3	12/-	11/7½	6·5	1·2
63/6	54/3	40 a	Z. Anglo-Amer.....10/-	57/9*	56/6	56/6	15·9h	1·2
171/10½	142/6	60 a	De Beers Dfd. Reg..5/-	151/4½*	165/-	171/10½	4·4	2·2
$183	$154	$2·75c	Internat. Nickel ...n.p.v.	$167½	$165½	$183	3·0	...
18/10½	14/3	32½ b	London Tin.........4/-	16/10½	14/-	14/-	11·4	1·4
29/8¼	24/3	14⅙ b	RTZ...............10/-	28/7½	25/-	26/6	(7·2)	2·0
20/-	11/9	32½ a	Tronoh 5/-	18/6	13/3	13/3	18·9	1·0
			SHIPPING					
44/-	20/-	2 a	Anglo Norness........£1	34/3	21/6	21/3	7·1	4·0
19/3	16/9	8	Brit. & Com'wealth.10/-	19/-	17/6	18/-	6·7	1·4
17/0¾	13/7½	5 c	Cunard £1	15/3¾	13/9	13/9	7·3	...
36/6	29/3	10 c	Furness Withy £1	30/-	30/9	31/3	6·4	...
32/6	24/6	7 b	P & O Dfd...........£1	27/4½	24/9	25/4½	7·9	0·6
			TEXTILES					
12/11¼	9/11¼	9 b	English Sewing Cotton 5/-	10/5¼	10/0¾	10/6¾	7·1	1·8
22/9	18/6	16⅔ b	Courtaulds 5/-	19/-	18/9	18/6	6·8	1·7
66/3	50/-	6 a	West Riding Worsted.£1	54/6	50/-	50/-	7·2	1·7
21/10½	18/4½	2½ a	Woolcombers.........£1	19/10½	19/10½	19/10½	10·1	1·1
12/11¼	10/2¼	6 a	Calico Printers......5/-	10/9¾	10/8¼	11/0¾	(7·2)	2·4
44/9	36/4½	8¾ b	Coats, Patons & B.....£1	40/9	36/8¼	37/6¾	7·2	1·7
15/3¾	10/9	11⅔ c	Viyella Int...........5/-	21/-*	11/-	11/4½	5·1	2·0
			TRUSTS & PROPERTY					
24/3	20/-	10½ b	Alliance Trust........5/-	24/3	20/10½	20/9	4·2	1·2
54/3	45/7½	37½ b	BET 'A' Dfd.........5/-	49/10½	45/10½	45/10½	6·8	1·7
18/6	14/9	6¾ a	Cable & Wireless....5/-	18/6	14/9	15/6	4·4	1·3
17/9	13/5¼	10½ b	Philip Hill 5/-	15/6	13/9	13/9	5·8	1·2
30/-	25/6	15½ b	Industrial & General .5/-	29/9	25/9	26/6	5·1	1·2
29/1½	23/10½	12½ a	City Centre Props. ..5/-	27/7½	25/-	25/-	6·0	1·1
60/6	47/9	10 b	City Lond. Real Prop..£1	53/6	58/-	57/6	3·6	1·1
18/3	15/-	5¾ b	Land Securities.....10/-	15/10½	17/1½	17/6	4·4	1·1
28/6	23/7½	10 b	Lond.Cnty.Freehld..10/-	24/9	28/6	28/3	6·5	1·1
			TEA & RUBBER					
49/-	40/6	†22½ b	Cons. Tea & Lands ...£1	49/-	42/9	43/6	19·6	1·5
25/3	16/-	†3 a	Jokai (Assam) £1	20/9	16/6	16/-	17·0	...
3/3¾	2/5¼	12½ a	Highlands & Lowlands 2/-	3/0¾	2/6¾	2/6¾	15·8	1·5
3/9	3/3	25 b	London Asiatic......2/-	3/7½	3/4½	3/4½	17·8	1·7

NEW YORK PRICES AND INDICES

	July 7 $	July 14 $		July 7 $	July 14 $
Atch. Topeka...	31¼	32⅛	Gen. Electric ...	98⅝	100½
Can. Pacific	57⅛	54½	General Foods ..	79⅛	81⅞
Pennsylvania	38⅝	40	General Motors .	96⅞	97¼
Union Pacific ...	39	38½	Goodyear	50¾	50⅞
Amer. Electric ..	43⅜	43⅝	Gulf Oil	56	55⅝
Am. Tel & Tel...	67¾	67¼	Heinz	41⅜	43
Cons. Edison....	44¼	44	Int. Bus. Mach....	458	470¼
Int. Tel. & Tel....	53¾	54	Int. Harvester...	36⅝	36⅞
Western Union .	39½	39⅛	Inter. Nickel ...	83½	83
Alcoa..........	72¾	72	Inter. Paper	30½	30½
Aluminium	25⅞	26⅛	Kennecott........	103⅜	104
Amer. Can......	47⅜	48⅝	Litton Inds.......	85⅞	91¼
Am. Smelting ...	51	51½	Monsanto	87	89⅝
Am. Viscose	89½	91¾	Nat. Distillers...	31⅛	30⅝
Anaconda	63½	62⅜	Pan-American ..	27¼	27¾
Beth. Steel	35¼	35⅝	Procter Gamble..	73	74⅞
Boeing..........	68¾	73½	Radio Copra. ..	33¾	34⅝
Celanese	77½	81¾	Sears Roebuck ..	67⅜	68¼
Chrysler	46	45⅞	Shell Oil	61⅛	65¾
Col. Palmolive ..	48⅝	33	Socony-Mobil ...	85⅛	86⅞
Crown-Zeller ..	52⅞	52⅝	Stand. Oil Ind. ..	47½	48⅝
Distillers Seag. ..	34	33½	Stand. Oil N.J. ..	76½	78⅛
Douglas........	36⅞	40⅝	Union Carbide..	59¼	59¾
Dow Chemical ..	69¼	70⅝	U.S. Steel	47¼	47¼
Du Pont	233⅜	237½	West. Electric...	47⅞	48¾
East Kodak	80½	86¾	Woolworth	29⅜	28¾
Ford Motor.....	52½	52¾	Xerox	144⅛	155¾

Standard and Poor's Indices (1941–43 = 10).

1965	425 Industrials	Yield %	Govt. Bonds	Yield %
June 16	90·35	3·00	87·16	4·16
„ 23	89·80	3·02	87·16	4·16
„ 30	89·12	3·04	87·16	4·16
July 7	89·65	3·03	87·06	4·17
„ 14	90·95	2·98	87·06	4·17

425 Industrials:—High, 95·79 (May 13). Low, 89 06 (Jan. 4).

Money Market Indicators

The discount market responded to the Bank of England's sharp disciplining of the preceding week by reducing its agreed bid at the weekly auction on July 9th and thus helping to push up the average rate of discount on three-months Treasury bills by a smart 1s. 9.29d. per cent to £5 11s. 9.95d. per cent. This evidently satisfied the authorities, since they gave generous help when credit became scarce at mid-week, instead of once more forcing the houses to borrow at Bank rate. The cost of forward cover remained unchanged, but New York bill rate rose somewhat less than the London rate.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	91-Day Average Rate of Allotment	91-Day Allotted at Max. Rate*	Tender Issue Outstanding
1964	91-Day		s. d.	%	
July 10	230·0	400·7	89 4·72	40	2,990·0
1965					
Mar. 26	180·0	322·6	130 11·60	31	2,330·0
April 2	180·0	325·0	130 11·69	22	2,290·0
„ 9	170·0	320·6	129 10·59	52	2,280·0
„ 15	160·0	377·2	128 9·36	24	2,270·0
„ 23	160·0	280·8	127 11·97	28	2,260·0
„ 30	160·0	373·8	127 6·00	31	2,260·0
May 7	160·0	371·4	126 2 47	41	2,260·0
„ 14	160·0	324·3	125 5·69	13	2,260·0
„ 21	190·0	431·5	125 6·98	19	2,260·0
„ 28	170·0	293·1	127 3 34	61	2,260·0
June 4	170·0	313·1	112 9·31	48	2,250·0
„ 11	170·0	330·9	112 0·99	35	2,240·0
„ 18	210·0	410·9	111 9·57	34	2,210·0
„ 25	170·0	302·4	110 10·02	50	2,240·0
July 2	170·0	402·8	110 0·66	22	2,230·0
„ 9	170·0	310·2	111 9·95	30	2,220·0

*On July 9th tenders for 91-day bills at £98 12s 0d secured 30 per cent, higher tenders being allotted in full. The offer for this week was for £170 million 91-day bills.

KEY MONEY AND ARBITRAGE RATES

London — **July 14**

	%
Bank rate (from 7%, 3/6/65)	6
Deposit rates	
7 days' notice:	
Clearing banks	4
Discount houses...	4
Local authorities...	6–6⅛
3 months' fixed:	
Local authorities...	6⅜–6½
Finance houses....	7
Call money:	
Clearing banks' minimum	4⅜
Day-to-day spread...	4⅜–5⅜
US dollar exchange:	
Spot rate	2·79 1/16–3/16
Forward cover (*3 months'*) Annual interest cost..........	1⅞–2 1/16

	%
Market discount rates (*3 months'*)	
Treasury bills...	5 11/16
Bank Bills	5 13/16–6
Fine trade bills..	7–7½
Euro-dollar deposits:	
7 days' notice...	4¼–4¾
3 months'......	4⅝–5⅛
Euro-sterling deposits: (in Paris):	
2 days' notice...	5¾–6¼
3 months'	6⅝–7⅛
Forward rate:	
(*3 months'*)..	1 7/16–1 5/16 c pm

New York

Treasury bills:	
July 7............	3·85
July 14...........	3·88
Market paper:	
Bank bills......	4·25
Certs of deposit.	4·30

Covered Arbitrage Margins

	In favour of: Last week:	In favour of: This week:
Treasury bills............	N. York 5/16	N. York 9/32
Prime bank bills..........	N. York ¼	N. York ¼
Euro-dollar/UK local authority loans.........	N. York 13/32	N. York 13/32
Euro-dollars/Euro-sterling	N. York 3/32	London 1/32

These covered arbitrage margins show the differentials in rates on the particular sterling and dollar assets, as adjusted for the cost of forward exchange cover, shown above.

THE ECONOMIST □ THIS WEEK

FURTHER DEFLATION?

Mr Callaghan should resist any Continental pressure to deflate further **page 310**. France's *Non* to a world monetary conference is a rap on the knuckles to those who took its own proposals at face value **page 309**. Our analysis of the British economy shows that existing measures could balance the current account by the end of the year—but at the expense of growth **page 351**. The rise in wages puts Mr Wilson under pressure to say just what his incomes policy is **page 311**.

WHAT IT TAKES IN VIETNAM

Mr McNamara's visit to Vietnam is to decide details of the military build-up needed to restore the situation there. This will take more men, more money and a long time **page 333**.

GOLDBERG VARIATIONS

President Johnson's choice for a new Ambassador at the United Nations is a brilliant political stroke, but the real fascination about the appointment of Justice Goldberg lies in why he accepted and in what the effect will be on the Supreme Court **page 334**.

NKRUMAH'S RETURN

Ghana's leader is beginning to look like a middle-aged man on the flying trapeze. On one side, studied moderation about Vietnam; on the other, the cares of an ailing economy. Maybe the critics wrote Dr Nkrumah off too soon. He may yet turn out to be a solid citizen of the world **page 313**.

AID FOR DEBT

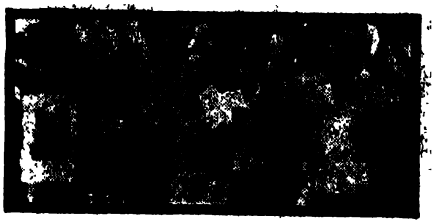
Unless interest terms on aid can be eased, the burden of repayments on developing nations will soon take the lion's share of the aid the West gives them **page 358**.

GOODNIGHT ALL

Sir Alec Douglas-Home's departure from the leadership of the Tory party is utterly sensible. The precise timing of his announcement is significant: it could tip the scales Mr Maudling's way **page 314**. For the unhappy Mr Frank Cousins yet another black eye **page 315**.

TRANSFER CONNECTIONS AT CREWE

Long after every other developed west European country, Britain is at last to have a postal giro. What is more the Postmaster General has clearly paid very close attention to integrate the new machinery with that already operated by the clearing banks **page 355**.



UNDER PAPANDREOU'S BANNER

Perhaps unfairly, Mr Papandreou has represented his quarrel with the Greek king as a matter of constitutional rights. He has the Greek people on his side. But he is no longer urging potentially dangerous elections **page 321**.

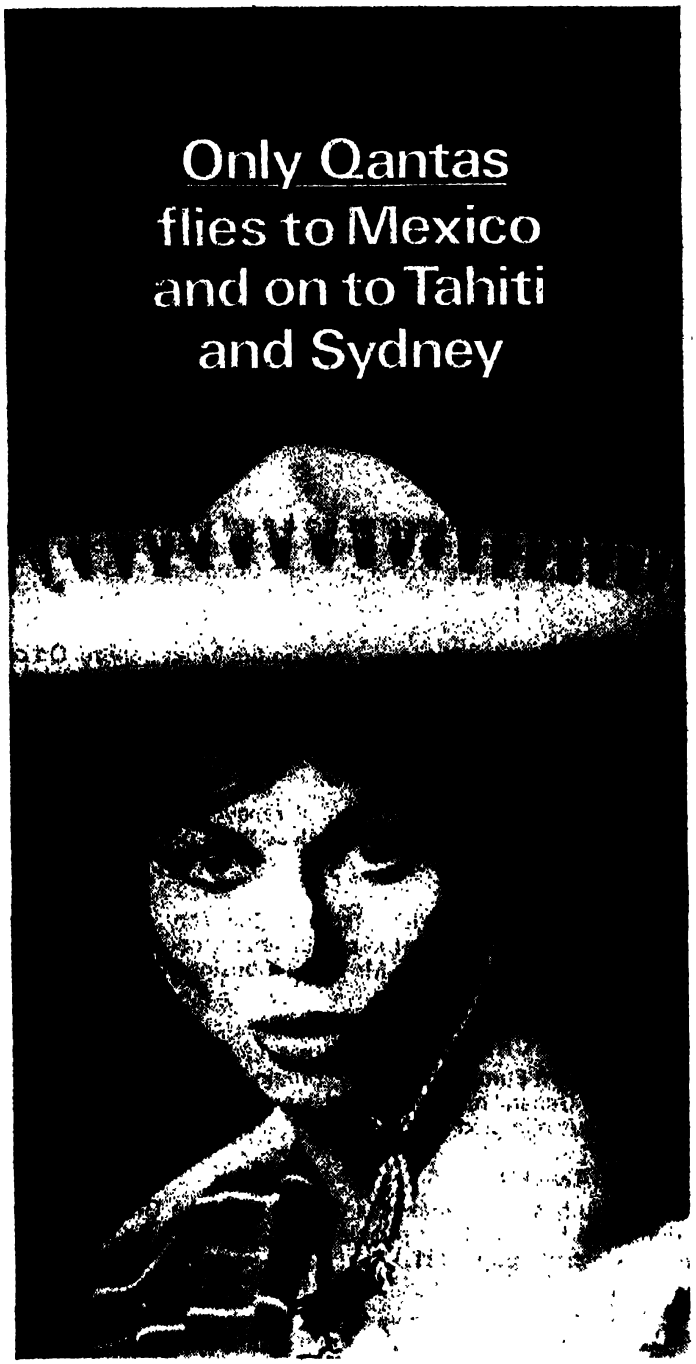
SHALL WE NON-PROLIFERATE?

When the powers meet in Geneva on Tuesday to talk about disarmament they may have to make up their minds about a non-proliferation treaty. It is not an infallible way of stopping the growth in the number of nuclear nations. But it is worth while—provided the nuclear have-nots can be persuaded that it is not a way of keeping Russia and America on top of an ever-growing nuclear monopoly **page 312**.

Insurance 1965

ACCOUNTABLE TO WHOM?

The Economist's annual survey of insurance looks at a number of aspects of the insurance business in Britain, France, Germany, the United States and South Africa. Underlying many of the articles is the question of the accountability of insurers to their shareholders, their policyholders and—increasingly important—to the community as a whole after **page 350**.



Something world travellers now talk about the Qantas "Fiesta" route, newest Qantas jetway to the world. Only Qantas offers you direct flights to Mexico (with connections to the U.S.A., Canada, Central and South America). You can enjoy stopovers on the way, if you wish, at Bermuda and the Bahamas, and if you're flying on to Sydney there's also enchanted Tahiti to enjoy.

Only Qantas flies these four jet routes around the world Qantas is one of the few round-world airlines. With Qantas you can choose whether you'll fly west or fly east. If you're flying west, you can choose between the Mexico-Tahiti way and the U.S.A.-Honolulu way. If you're flying east, you can choose between the Bangkok-Singapore way, and the Hong Kong-Orient way. All Qantas flights fly on to Australia.

If you're travelling to any of the five continents the fleet of Qantas V-Jets flies to, you'll feel at home with Qantas' unique Australian blend of friendliness and efficiency. Just tell Qantas when you'd like to go and what your budget arrangements are and Qantas will work it all out for you. (Qantas can offer you many world travel economy plans). With Qantas you can fly fast and direct to your destination or relax at the world's famous holiday places. Talk it over with your Qantas travel agent or Qantas.

Australia's Round-World Airline
QANTAS
41 years of dependable service

Qantas, in association with Air India and B.O.A.C. Qantas, corner Piccadilly and Old Bond Street, London W.1. MAYfair 9200

SECOND CLASS POSTAGE FOR *THE ECONOMIST* PAID AT NEW YORK, N.Y.
Published weekly every Saturday, fifty-two times a year in London, England.

LETTERS

The Anti-Planners

SIR—Leaving aside the amiable journalistic excesses of your report on the "Anti-Planners" (July 17th) there is a profound misunderstanding in the reference to the "ideal of a perfect market economy allocating resources in the best possible way [which] would depend on complete and instantaneous information everywhere, plus indeed perfect foresight. . . ."

Can it be that you have missed the fact that "perfect competition" is a static theoretical abstraction which if it could exist in practice would rule out advertising innovation, salesmanship, price-cutting and most of what we recognise as competitive behaviour in the real world? It was not merely an example of my "rumbustious attachment to iconoclasm for its own sake" that led me a year ago to write in the *Advertising Quarterly* an article explicitly entitled "'Perfect Competition' and other Nonsense":

> "to distinguish between avoidable imperfections which needlessly reduce efficiency, mobility, choice, and those unavoidable imperfections which short of transforming man and society must be accepted as a condition for reaping the advantages of effective competition."

A leading professor of political economy recently wrote privately that the confusion between perfect competition as an expository device in textbooks and the evidence of imperfect competition in practice "has been more harmful in destroying any belief in private enterprise among young students of economics than all the Marxist propaganda ever produced." I thought he might be exaggerating until I saw this dangerous confusion so clearly enshrined in your columns.

Imperfect competition is the best competition we can have. But no independent economist worth the name should acquiesce in the degree of imperfection tolerated by the Tories and now intensified by their successors.—Yours faithfully,

RALPH HARRIS
Institute of Economic Affairs Ltd.
London, SW1

Defence

SIR—But for the "cumbersome floating landing-strips" to which you refer in your leading article of last week, operated by the United States Seventh Fleet, the Americans would by now undoubtedly have been reduced to the enclave around Saigon for the entire support of the South Vietnamese defence effort. And how long do you imagine that shipping in the sea approaches to Saigon itself could be defended against Soviet-North Vietnamese shore-based aircraft in the absence of fighters from these same "landing strips"—which, of course, are the Seventh Fleet's aircraft carriers?

Furthermore, if "Aden's minor function . . . could be performed by an Indian Ocean island" how do you, Sir, always so omniscient in these matters, consider that such an island could be fuelled, supplied and defended, for example, against Soviet submarines or light surface warships firing surface-to-surface guided missiles? Is there not perhaps a parallel between these two sets of circumstances, one actual and one, thank Heaven, still hypothetical?—Yours faithfully,

ANTHONY COURTNEY
House of Commons, SW1

SIR—In "That £2,000 million" (July 17th) you note the heavy cost of maintaining the Aden base. Rather innocently, I feel, you hope that changes in the Middle East situation may lead to an inter-Arab balance of power, thus allowing Britain to disentangle herself from the Aden base. The Middle East began its modern era of major change about 1909 and there is, I consider, little sign of any cessation of this state of flux. Why on earth should the area suddenly become stable now, of all times?

When we give Aden independence we may safely resign to Federal forces our role as routine peacekeeper along the Yemen border, in the states of the South Arabian Federation itself and in the Eastern Aden Protectorate zone. This should enable us to reduce considerably the numbers of our fighting force in the area. There remain the functions hitherto performed by Aden as a base for police work in the Persian Gulf, as a staging post and as general watchkeeper on Chinese manoeuvres in the Indian Ocean. With these in mind, I believe there is a strong case for the commencement now of a phased evacuation of the present Aden base to Socotra. Socotra, quite clearly, is the island base which can well take over the three remaining important functions.

With the Sultan of Qishn and Socotra we are already in treaty relations. The rent or purchase money for such a base would enable his government to do much for the welfare and advancement of the 12,000 inhabitants of the island. The construction of the base should not be difficult with modern technological resources and much of the equipment now at Aden could easily be removed there in the next year or two. Tamaridah or some other suitable coastal spot might even be made a free port, where the oil companies could supply very cheap bunker fuel to ships (the island is near some of the world's busiest shipping lanes). All is ready for a start; the island has been mapped, surveyed, botanised, explored and medically appraised by the RAF and other British expeditions which have visited it periodically, though not necessarily with any strategic motive.—Yours faithfully,

J. P. HARRINGTON
St Leonards, Sussex

s Sales

SIR—Why do you label the new British Chieftain tank "monstrous"? It is ten tons lighter than the Conqueror and the same weight as the Centurion which it replaces, and insignificantly (three tons) heavier than the American M.60. Its silhouette is lower than the Centurion's and much lower than the M.60's. It is more mobile than either and much more effective against enemy armour.—Yours faithfully,

W. F. K. THOMPSON
Haywards Heath, Sussex

Expelled from Malaysia

SIR—According to the Malaysian government, Mr Alex Josey was expelled for "interfering in local politics." There is not an iota of truth in this. At no time has Mr Josey interfered "in the internal politics of Malaysia" or tried "to disrupt inter-racial harmony." On the contrary, his articles are informative and constructive, and are conducive to the growth of our multi-racial Malaysia, but not to a one-race Malaysia.

Malaysia is now facing the greatest threat from UMNO (United Malays National Oraganisation) extremists, who have already shown their strength in demanding and securing the expulsion of Mr Josey for reporting the truth. These fanatic racialists daily feed their people with highly communal literature through their Malay papers with a view to perpetuating their communal outlook and creating a Malay Malaysia. Yet the central government does nothing to check their dangerous activities.

The expulsion of Mr Josey shows the increasing strength of the extremists in the UMNO; and, most importantly, that the few moderate UMNO leaders have to fall in with the wishes of the jingoistic majority in order to survive.—Yours faithfully, C. ARUMUGAM
Johore, Malaysia

The War for Europe

SIR—I had long had the idea that *The Economist* was a sober, objective journal, devoted to factual, dignified comment, leavened by British common sense, fair play and all that.

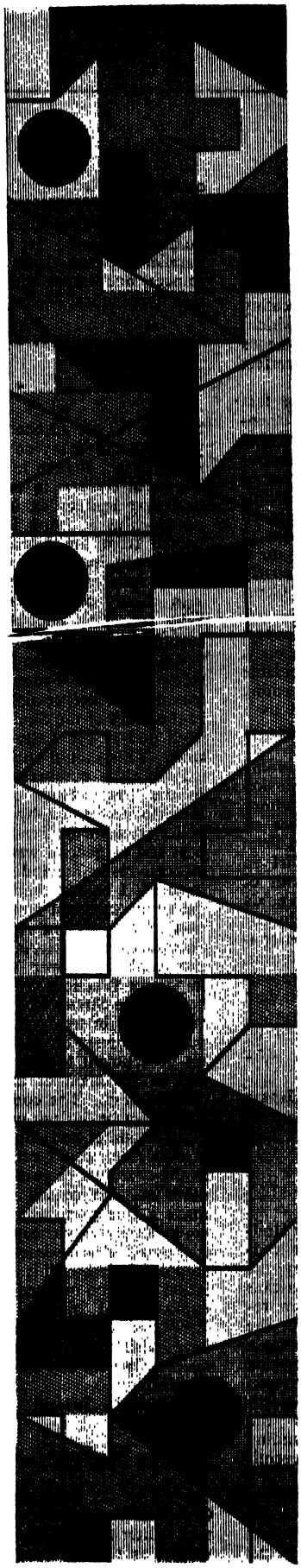
It is not strange, therefore, that I was absolutely astounded when I came across your issue of July 10th with its extraordinarily immoderate comments upon the recent differences of opinion among members of the common market, including such language as: "war against the European community"; "diplomatic violence"; "the general's will to assassinate"; "the French dropped the guillotine"; "political vandalism"; "the general's hubris"; "Paris began to unwrap the poisoned sweet."

These snarling whines or whining snarls (the two themes were on about a 50-50 basis) directed against France and her chief of state were accompanied by broad hints that the United Kingdom would in future do well to place its unfaltering trust in eternal sweet friendship with Germany.

In the name of St George, cricket, smoked salmon or whatever *The Economist* holds sacred, will you never begin to learn?

I sometimes wonder whether the utterly irrational bitterness toward President de

SCIENCE IN CONSTRUCTION



In the construction industry of today the scientist is an essential member of the building team in the drive to increase productivity and efficiency. Research and development by Laing is part of a sustained programme to evolve new materials and techniques. Scientific methods of management and operation are also speeding the advance of industrialised building and Laing systems are completing high quality 'homes from the factory' in increasing number. Laing construction teams are backed by a scientific approach in the laboratory and on the site achieving higher quality buildings and completion on time.

For completion on time

LAING

John Laing Construction Limited, Great Britain and Overseas.

Belfast, Birmingham, Bristol, Cardiff, Carlisle, Glasgow, London, Manchester, Newcastle, Nottingham, Southampton.

LTD/LC11

Gaulle that is exhibited by many Britishers and Americans arises simply from envy because neither of us has a great man like de Gaulle to lead us. But great men are extremely rare and the British, especially, should not be breeds. —Yours faithfully,
New York E. D WILLIAMS

Housing

SIR—Mr A. G. Mitchell argues (July 10th) that permitting owner-occupiers tax deduction on mortgage interest is not—as Allen Sykes and I have claimed—a subsidy. He argues: "Surely owner-occupation is as socially desirable as the profit making activities of some companies which can quite properly obtain tax relief on their debenture interest."

The comparison (and his argument) is quite misconceived. The costs incurred by private individuals are not normally allowable as a tax deduction unless they are wholly and exclusively incurred in obtaining income which is itself taxable. The now abolished Schedule A was based on the proposition that the owner-occupier was in receipt of an imputed income from his property—he is in effect in receipt of the rent which he saves from the only other alternative to owner-occupation, namely, rented accommodation. As long as this source of income was taxable it was reasonable to allow tax deduction of the interest incurred in procuring this income. It is, however, surely obviously anomalous to abolish taxation of the imputed income while retaining tax deduction of the cost of procuring such income. But this is the present state of tax legislation. The tax deductibility of mortgage interest must, therefore, be regarded either as an accidental anomaly or a tax subsidy.

I would stress, moreover, that allowing tax deduction on any interest cost which is undertaken to secure benefits which are untaxable—the great bulk of borrowing by private persons is probably in this category—is equally anomalous. It is to be hoped, as I have suggested in an earlier letter in these columns, that the present Government's tax reforms will abolish this self-evident absurdity, and replace it by outright subsidies on interest costs incurred for approved categories of personal expenditure of which mortgages for owner-occupation should be the major category. —Yours faithfully,
London, WC1 A. J. MERRETT

Air Fares

SIR—You suggest (July 10th) that passengers of Europe should revolt against overcharging, but what about this one for ludicrous restrictions? The one-month excursion fare from London to Israel stipulates that no stopovers are permitted and that passengers must be holders of passports issued in Britain, the Republic of Ireland and Commonwealth countries. The previous 23-day excursion fare (which ended on June 30th) did not specify such restrictions. —Yours faithfully, L. E. PRINTON
Isleworth, Middlesex

Pakistan's Budget

SIR—There appears no warrant for the surprise expressed in your article (June 26th) at the so-called smallness of the Government's tax effort in the context of the third five-year plan's target of additional taxation set at £225 million. The £14 million of new taxes imposed in the Central Government's budget for 1965-66 plus the fresh taxes of about £5 million in the budgets of the Provincial Governments of East and West Pakistan this year, should yield—keeping in view the growth factor—something like £150 million during the 5 years covered by the third plan. This leaves a balance of £75 million only from the plan's target of additional taxation, which is a modest amount considering that the Central and the Provincial Governments have four more annual budgets to fulfil this.—Yours faithfully,
Kuwait AFTAB AHMED KHAN

Immigration

SIR—You have advised the Tories to leave coloured immigration out of their election manifesto. As a Commonwealth immigrant who has been sickeningly annoyed and painfully humiliated by the incessant and daily publicity that has been most unreasonably given to this matter during the past five years, I was no end pleased with your bold and typically British attitude.

But as if to undo that magnanimity you now hasten to publish an article "The Black Side of Paris" (July 3rd). I cannot help feeling that this is nothing short of a pathetic attempt to cover up the entirely rotten and sadistic campaign that has been most viciously carried out in the British press (pro-Tory) against a helpless and pathetic minority that has been held up to ridicule for longer than was necessary.

It is my humble opinion that the Commonwealth immigration issue and entry into the European market are closely linked. While I do not for a moment grudge the right of this country to get into the European market, I ask you whether it is necessary to carry out an entirely vicious campaign against the Afro-Asians in this country. Is it also necessary to make out that the countries in Commonwealth Asia and Africa are a seething mass of hungry beggars who are a gross liability to this rich country? It may well be that in comparison to most European countries the Afro-Asian countries may be poorer, but they are definitely not a land entirely of beggars depending for their survival on this country. Yours faithfully,
London, SW19 K. A. KRISHNA MENON

Trade with Developing Countries

SIR—I read with great interest Mr John Brodrick's letter on the "Buy American" Act in your issue of June 19th.

The reluctance of the United States to allow competitors from abroad any leeway within the United States has naturally been a source of great disappointment not only to the exporters of other countries but also to their governments who have to worry over the acute foreign exchange crisis due to lagging exports. However the United States is not alone in seeking to keep foreign manufacturers and traders out. According to the latest annual report of Gatt the share of export from non-industrial areas in total world trade declined from 31 per cent in 1953 to 24 per cent in 1963. According to a study by Mr Alfred Maizels of the National Institute of Economic and Social Research, London, between 1950 and 1959 the volume of intra-trade among the industrial countries increased by 90 per cent compared with an increase of 50 per cent in volume in other sectors of world trade.

The Bellagio Conference on world trade held in September 1963 under the auspices of the Royal Institute of International Affairs noted in its statement of policy: "At the same time the failure of high-income countries to open their markets leads to a situation in which they produce things that the developing countries can turn out cheaply . . . Hence it is in their own interest as well as the developing countries' to abolish restrictions and provide greater access to their markets."—Yours faithfully,
Bombay SUBHASH CHANDRA SARKER

American Shipping

SIR—You are certainly right (June 12th) in assuming that subsidised American shipping has an obligation to assist in promoting American foreign trade. There is, of course, no written requirement in the 1936 Merchant Marine Act requiring United States shipping to develop marketing outlets overseas. However, since trade and ships have a "bread and butter" relationship, the fifteen American subsidised lines have joined forces to assist the American exporter and importer in finding markets and suppliers.

The second point I would like to clarify is that the subsidised lines have not been delinquent in investing money in research and development. In fact, the fifteen companies have been the maritime leaders in this field. Their united efforts have resulted in better hull construction and protection, centralised and automated engine-room controls, new cargo handling gear, automatic hatches and doubled and trebled lift operations, etc. These are not government-instigated innovations, but industry's. In fact, the liner companies have recommended that a joint industry-government Maritime Research and Development Foundation be established.—Yours faithfully, RALPH K. JAMES
Committee of American Steamship Lines
Washington, DC

The E.I.U. Announces:

The Economist Intelligence Unit Ltd of London and ELRICK and LAVIDGE Inc. of CHICAGO and ELRICK and LAVIDGE Inc of SAN FRANCISCO have affiliated to offer a comprehensive market research and marketing consultancy service in the USA as well as in most other countries

Details from:

The Economist Intelligence Unit
Spencer House 27 St James's Place London SW1

Lincoln Building 60 East 42nd Street New York NY 10017

Elrick & Lavidge Inc.
20 N Wacker Drive Chicago Illinois 60606

650 California Street San Francisco California 94108

HOW TO ENJOY LIFE

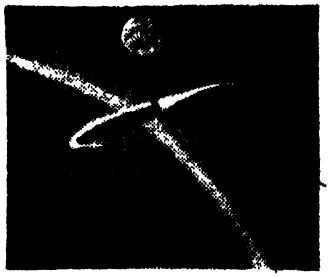
AS A BUYER OF

DIESEL · PETROL
GAS OIL · FUEL OIL
ANTIFREEZE
AUTO LUBRICANTS
INDUSTRIAL LUBRICANTS
MARINE LUBRICANTS

Leave all your purchasing problems to Power Petroleum —and make the best use of all the time and energy you save! Our nation-wide service is at your service. Our advice is yours for the asking—on bulk deliveries, storage or handling of any petroleum product. Make bulk buying easy. Get on to Power Petroleum at 76-86 Strand London WC2.

GET ON TO POWER

Do you remember these nine great moments in the Free World's space history?



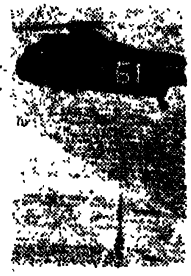
1. January 31, 1958. Explorer 1 satellite puts the Free World in orbit.

2. January 31, 1961. "Ham", the astrochimp, soars on ballistic flight.

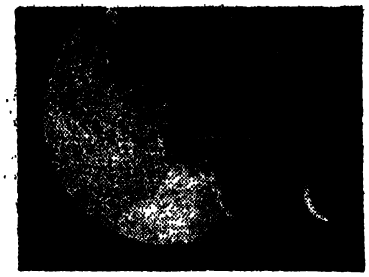
3. May 5, 1961. Alan Shepard becomes first Free Man in space.

4. July 21, 1961. Virgil Grissom undergoes five minutes of weightlessness in suborbital flight.

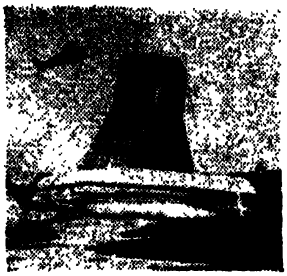
5. February 20, 1962. John Glenn becomes first Free Man to orbit the earth.



6. May 24, 1962. Scott Carpenter orbits three times; is rescued from raft in the Atlantic.



7. October 3, 1962. People of Perth, Australia, salute astronaut Walter Schirra with city lights.



8. May 16, 1963. Gordon Cooper completes 22 orbits, lands 7,000 yards from recovery ship.

9. January 29, 1964. SA-5 Saturn rocket orbits a record - breaking 37,700 lbs.

History was never more exciting, nor so swift. Just six years passed from the day the Free World launched a 30.8-pound satellite to the day it orbited a record-breaking load more than 1,000 times heavier. The rocket engines behind these nine historic space flights—and more than 205 others—were designed and built by NAA/Rocketdyne. Now North American Aviation is building advanced engines to power tomorrow's journey to the moon . . . and beyond.

North American Aviation

European Headquarters: North American Aviation S.A., 29 Rue de la Coulouvrenière, Geneva, Switzerland

His hobby–airplanes. His profession?

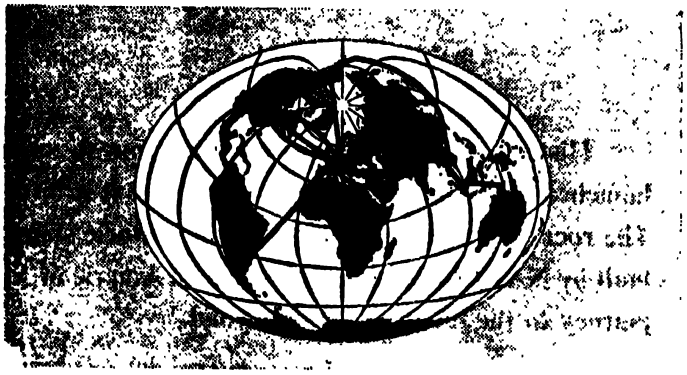
Airplanes. This man is a Lufthansa ground service engineer. He heads a team of men responsible for aircraft maintenance. Those men who will not let a plane off the ground in less than top condition.

This man is a jet engine expert. Not born that way he was schooled, sent to special training courses, attended seminars. There was a lot to learn before he could supervise a team of experienced men, exercising a knowledge and service you can depend on.

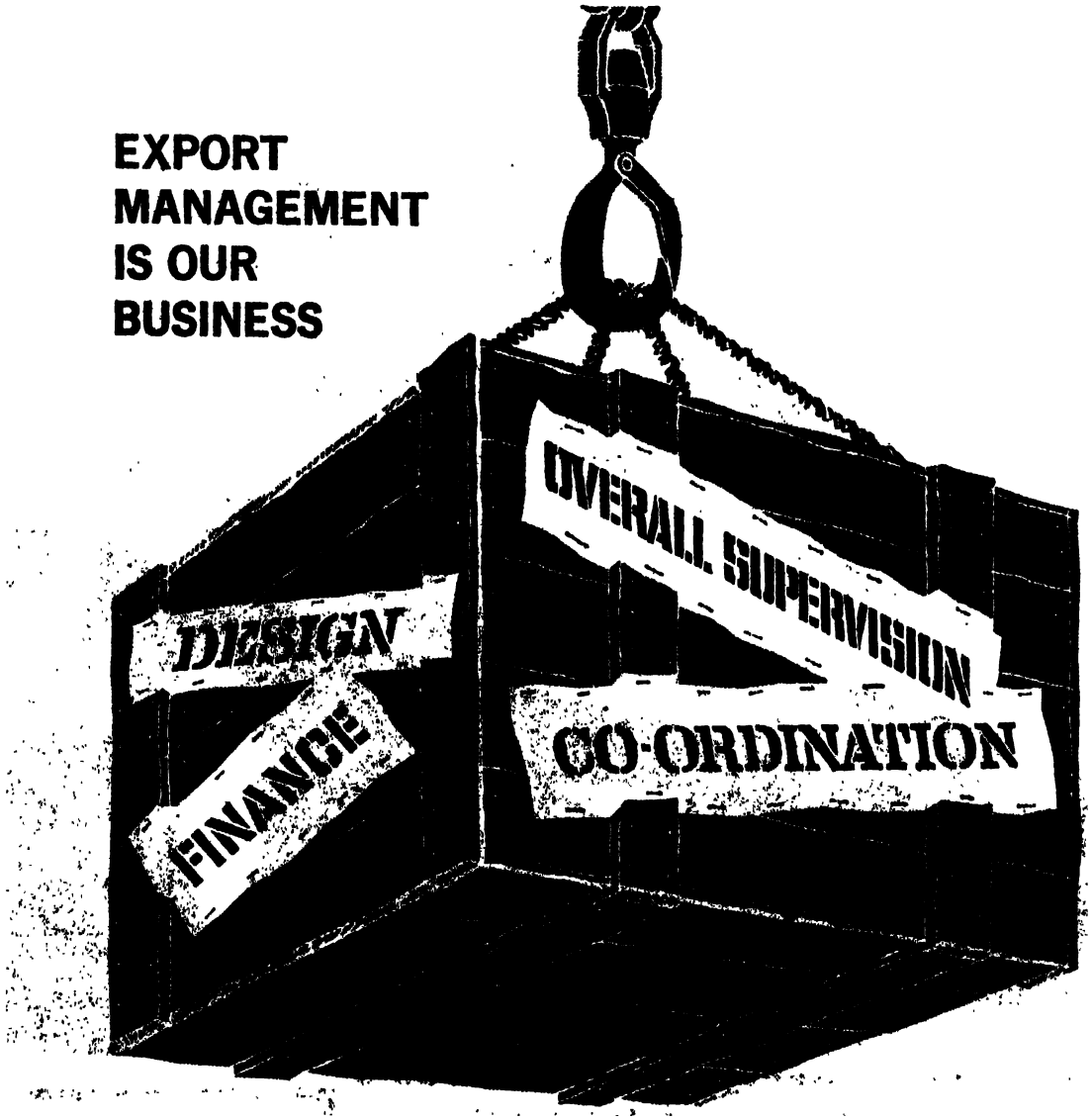
Whether inspecting jet planes or helping his son to build a precision scale model of the Boeing 727, the *Europa Jet*, Lufthansa's newest plane – this man is exacting.

So is Lufthansa.

Lufthansa – at home all over the world



Lufthansa



Our EXPORT MANAGEMENT is a fully comprehensive service. It can provide everything up to the export of complete plants—and includes assembly of manufacturers, full design facilities, shipment and erection of components, finance, overall supervision. Typical contracts carried out by Taylor Woodrow Building Exports Ltd. include "all-in" package deals for textile and jute mills, industrialised agricultural units, packaging plants, canning factories, mechanical handling facilities in storage units, etc. Over the last 21 years we have exported in this way capital and other goods to the value of many millions of pounds to over 120 countries. If you wish to sell or manufacture anywhere in the world, or have overseas enquiries which present difficulties, our Export Management Service, and the knowledge and specialist skill of our Project Managers, may well be the answer.

TAYLOR WOODROW Building Exports Limited

41 WELBECK ST · LONDON · W.1 · Phone : HUNter 6666 · Telex : 261249 · Call back : Tayrowcen, London Cables : Troproof, London

Arcon

TAYLOR WOODROW LIMITED are sponsor members of the Arcon Group, of which the other members are :—HENRY HOPE & SONS LIMITED · IMPERIAL CHEMICAL INDUSTRIES LIMITED · STEWARTS AND LLOYDS LIMITED · TURNER AND NEWALL LIMITED · THE UNITED STEEL COMPANIES LIMITED · HAWTHORN LESLIE (BUILDINGS) LIMITED

YORK

FREIGHTMASTER

FRAMELESS TRAILER VANS

Freightmaster cuts Servis Transport costs in half, could it do the same for you?

Y162

The delivery of spares and components by Wilkins & Mitchell Limited, manufacturers of Servis washing machines, provides another classic example of Freightmaster's cost-cutting ability. Pre-Freightmaster, they had been using five rigid Luton-type vans plus plenty of hired transport to feed their 22 nation-wide depots. Loading was long and laborious; in the words of Mr. Lynam, Group Transport Manager, "Vehicles were standing about for one-third of their working life." And with Servis production increasing every year, this fleet just couldn't keep costs down to a realistic level. Nothing less than a Freightmaster could redress the balance. So, enter four big Freightmasters with just three tractors and Servis distribution took on a new look.

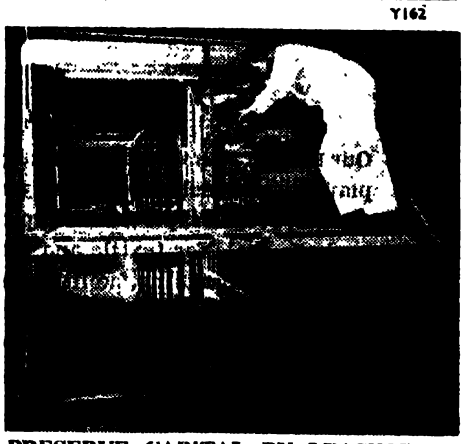
Now, loads in wheeled stillages glide along channel tracks on to Freightmaster's upper and lower decks. A Burtonwood tailgate takes all the lifting out of loading. One man loads 12 tons or 48 stillages in 20 minutes. Each Freightmaster serves three depots per trip, saving thousands of miles. Major depots are served weekly. Tractors are never idle. Freightmasters, as mobile warehouses, keep shipments clear of the stores. The result? Costs are down by 50%. Deliveries are up by 33%.

In a nutshell ....

	OLD WAY	FREIGHT-MASTER
DRIVERS	5 MEN	3 MEN
LOADING TIME	2 HOURS	20 MINUTES
IDLE TIME - MOTIVE UNITS	14 HOURS PER WEEK	NIL
DEPOTS SERVED PER TRIP	ONE TWO	THREE FOUR

Suggested one depot manager, 'Give someone a medal.' With Freightmaster behind you, you'd be saying the same. Freightmaster has a knack of cutting transport costs down to size. Write or telephone and we'll show you how.

YORK TRAILER COMPANY LIMITED, CORBY, NORTHANTS.
Telephone: Corby 3561. Telex 34516
(Day & Night Service: Corby 3566).



PRESERVE CAPITAL BY LEASING FREIGHTMASTERS!

Monthly rentals on a 3-year term = £43.2s.6d. 4 years £34.13s.0d. 5 years = £29.12s.6d. and only £10 per year for as long as you like at the end of the basic term.

HIRE FREIGHTMASTERS! Short term from one week to two years.

IN EUROPE: York Trailer Europa N.V., Barendrecht Near ROTTERDAM.
Telephone: Heerlansdam 444. Telex 21510.

The Economist

JULY 24, 1965

The General's Golden Afterburner 309
Further Deflation? 310
What Incomes Policy, Mr Wilson? 311
Shall We Non-Proliferate? 312
Nkrumah's Return 313

COMMENTARY 314
Politics; France; Germany; Hove By-Election; Security; Communist World; Adoption; The Law; Hanging; Malaysia.

THE WORLD
INTERNATIONAL REPORT
Under Papandreou's Banner 321
Can the centre hold?; Britain and Europe; France and Russia; Latin America; South Arabia Federation; Russia; Italy; Malaysia; Iran; Uruguay.
AMERICAN SURVEY
What It Takes in Vietnam 333
Cavalry of the Air; Goldberg Variations; Stimulus on Order; Bogalusa's Trial; Wall Street's One in Ten; Confessions out of Court?; Trains in the Corridor; Armed Right.

BRITAIN
Government Fortress 343
The Welfare State; Armenian Schism?

BOOKS
When the Lights Were Going Out 347
LETTERS 301

BUSINESS BRIEF:
Here We Don't Go Again! 351

Insurance 1965 a survey
after page 350

BUSINESS
Giro Junction at Crewe 355
Chemical Engineers Unite! 356
Aid for Debt 358
BRITAIN 360
Personal Incomes; Rover/General Motors; Shipbuilding; Domestic Appliances; Fuel Cells; Bicycles; Bankruptcies; Oysters; Working to Rule.
INTERNATIONAL 367
Gold; India and its Creditors; France and Germany; Cocoa; Finland; Argentine Beef; UNTAD; Swiss Industry; Shorter Notes.
INVESTMENT 372
The City; Israeli Market; Unit Trusts; Cranleigh Group; Consett Iron; Cavenham Foods; Concrete Ltd.; The New Taxes; *Record and Reassessment; Old Tax System; 1965 Finance Act (i.e. Bill as amended).*

Stock Prices and Yields 401

Annual Postal Subscription by ordinary mail UK £6; overseas £6 10s.; by air, see page 399
VOLUME CCXVI · NUMBER 6361

The General's Golden Afterburner

INTERNATIONAL liquidity is complicated enough without piling on the machinations of international diplomacy and palace intrigue. The unusually dramatic manœuvrings in international finance in the past six months have caught the usual band of experts off-balance. Not only must they be able to distinguish a composite reserve unit from an international deposit certificate; they also need to be privy to the latest Paris gossip on just how often M. Jacques Rueff has been seen slipping into the Elysée, and be equally expert in the new transatlantic science of determining just what does and does not move President Johnson. And when they have mastered that they may still have to guess the effect of an American plane flying over a French atom plant—and why, precisely, the French kicked up a row about it.

The organisation of world payments, previously regarded as esoteric by many economists themselves, has now made its entry into diplomacy and, more remarkable still, to domestic politics. This in itself is a sign that the issue is urgent and real—rather than, as a good many people had darkly suspected, a glorious new academic playground for the intellectual enjoyment of self-appointed specialists, which of course it was as well. But if elevation of the world payments issue from the scribblers to the politickers underlines the reality of the problem, it unfortunately emphasises too the difficulty of getting a solution.

When the American Secretary of the Treasury called last week for the preparation of a world monetary conference this was hailed by some people as a turning point in the world's economic history. Perhaps this week, with France's brusque rejection of the Fowler initiative, it would be equally premature to see it into its grave, though the immediate flare-up in the gold market (see page 367) is warning enough. While Britain and America have been poring dutifully over the intricacies of the elusive *Cru*, General de Gaulle has streaked away on his golden afterburner. Not for the first time the General has thrust ahead of Washington and London in the race for international attention; and not for the last time, in his outrageous way, he has brought everyone back to reality, including the reality of his own obstreperousness.

But the surprise of the past fortnight has been not so much why the French rejected Mr Fowler's offer as why Mr Fowler made it. Certainly, Mr Callaghan, for Britain, has been egging him on, and in his laudable but not very promising role as intermediary between the French and the Americans he may have taken the French official position too much at its face value and made insufficient allowance for the underlying aim of sheer diplomatic awkwardness. However the reports from Washington suggest that Mr Callaghan's influence there should not be exaggerated. The surprising fact is that there is now a domestic Congressional pressure building up on the Administration to "do something" about international payments: and Mr Fowler, perhaps prompted by President Johnson, was probably keen to show that constructive ideas were not confined to his liberal critics or to his Treasury predecessors so busily forming up on their investigatory committees.

In part, and perhaps in Presidential part, this American pressure has reflected a general and more widely based feeling that General de Gaulle cannot be allowed to make all the running. Possibly this initiative has been seen as some kind of testing of French intentions, of whether Paris is genuinely concerned to secure the wellbeing of the international monetary system. The United States,

in this view, has done its part by emphasising the flexibility of its attitude, and with more than a hint that the French preference for the composite reserve unit may be the basis for the compromise. But if the French interest has been to score points off the dollar and make things awkward in the Atlantic alliance, then—so the Washington reasoning may go—this wickedness may now be exposed. And certainly the official French riposte this week, that it is too early to start building a new international monetary system while the old one is still falling down, sits oddly with the general's dramatic call in his famous press conference of February 4th:

> France, for her part is ready to take an active part in *la grande réforme* that is called for.

Yet in practice one guesses that France is not likely to find itself isolated on this issue any more than it has been over the common market, Nato and the rest. For here, too, France scores off the divisions of its partners, if partners they can still be called. Thus, while France stands almost alone in the motives of its anti-dollar operation, it picks up a few natural allies in Europe in its popular antipathy to American industrial take-overs. And it has a good deal of support from financial officials in continental Europe, particularly in Germany and Holland, in its present insistence that America and Britain must definitively eliminate their payments deficits before serious thought can be given to new means of increasing international reserves. This influential continental wing of opinion was alarmed by General de Gaulle's new year manœuvres for a payments cure-by-demolition; it finds nothing so alarming in the present, and distinctly different, French insistence that there is really no pressing problem at all.

All this is tough on America and Britain. Probably Mr Callaghan was right to continue his series of bilateral discussions by not calling off his trip to Paris on Thursday; though he may by then have been rather more careful to catch the inflections in M. Giscard d'Estaing's tone of voice. He will no doubt be interested to hear that the *Cru* itself was after all a concession to the Anglo-Saxons. Equally, having mounted his initiative, Mr Fowler will presumably continue with his own exploratory discussions. But he might do well to have in mind an alternative to a world-wide monetary conference. Given the difficult diplomatic line taken by France and the genuine caution of the other continental countries, it has throughout been doubtful what worthwhile results such a conference could have: there has indeed been a clear danger that the only agreement possible might in the end be still more restrictionist than the present system. In these circumstances, as we have suggested before, the best expedient may be for America and Britain to press ahead with regional schemes with other like-minded countries—through, for example, a permanent extension of central banking credits between themselves and countries such as Japan, Canada and Sweden. Specific and early progress on this score makes much more sense than a heavily diluted and perhaps perverse compromise reached on a worldwide basis.

Worldwide reform will indeed have to come and it will almost certainly not wait as long as many continental central bankers would like. Perhaps, after all, it will come only after a major exchange upheaval. As the continental bankers are perfectly right to insist, no liquidity scheme can ever be a substitute for a country eventually squaring its own accounts. A smoothly working system of world payments needs more flexible arrangements not only for international credit, but for exchange rates too. Britain in the past few years has drawn on more than sufficient international credit; it is the basic trading adjustment that has eluded it.

Further Deflation?

No. Nor controls either. They might really convince the foreigner that everything is up. Import quotas, if Mr Callaghan must . . .

A WEEK of confused noises off about fresh "economic measures" to restore foreign confidence that sterling can be defended has perhaps made it worth saying a few things plainly.

We doubt whether anything more that Mr Callaghan could do to deflate home demand could make any significant contribution quickly to the trade balance. The pressure of demand in the economy has remained high—higher than we and many other forecasters expected it to be by now. But the production trend is flat and some orders are flagging; we believe that there are now definite signs that the increase in pressure is levelling off (see Business Brief, page 351). And we doubt whether high home demand is frustrating many potential exports. The current dose of deflation will probably be working more effectively by the end of the year, even allowing for expansive factors like the volume of large-scale public investment already in the pipeline. Further measures now would act no faster. But they could strengthen the later effect into a sharper downturn in the economy than anyone at home or abroad wants and again discourage the long-term loosening up in industry that Britain needs.

More draconian deflationary gestures might fit some continental prejudices about the right, classical way to run an economy, particularly somebody else's. We do not believe they would make any continentals more ready to hold sterling. As we said last week, the massive short position already built up in sterling may afford some protection not only against further immediate attacks on the pound, but possibly too against the traditional seasonal strains on sterling of the third quarter. Nothing, admittedly, chills the marrow more than to remember the times at which respected authorities have assured one that "the technical position of sterling was never stronger." Nevertheless, we feel that Mr Callaghan should remain ready, for the moment, to take whatever seasonal strains are still to come on the reserves and the credits.

One of the sets of noises off has bruited the possibility of a wages, salaries and dividends freeze, matched by slapping on a wide range of price controls. We believe that if Mr Brown could manage a wages freeze alone, this might impress foreign opinion favourably; but politically he cannot. (This does not excuse the Government, as the next article insists, from doing much more than it has to ensure that the wage and salary rises that do come along are given to the right people for the right reasons.) If Labour had to include a dividend freeze as well, the kind of foreign opinion it is fated to try to impress would swing the other way. A machinery of income and price controls, created overnight and immediately provoking a host of complaints about anomalies from businessmen, would not merely end both sides of British industry's remaining honeymoon with incomes policy and The Plan. It would convince the foreigner (British voters apart) that Labour was really down to the last chain-shot in its locker. Like the mobilisation of British investments abroad, it could be one of those "defence measures" for sterling that if ever used could really suggest to the world that everything was up.

In the short run, if the weight of foreign distrust forces the Chancellor to further measures, we believe that direct operation on the trade balance is still the least bad alternative to devaluation. In principle, last autumn's surcharges still seem to us more intellectually respectable than the imposition of direct import controls. It is a stupidity of international legal accident, enshrined in Gatt and elsewhere, that quantitative import restrictions are considered acceptable and the non-discriminatory surcharge heinous. But the stupidity is there, written into the treaties. If he believes further measures are inevitable—we doubt this, and think some of the professionals on the continent do too—let the Chancellor scrap the remaining surcharge and go over to import quotas. Lace the dose with a further mild draught of export incentives, and the direct operation on the trade balance might even be effective, eventually. But that too could infuriate foreigners in the meantime, before they followed suit.

What Incomes Policy, Mr Wilson?

The Government maintains it has an incomes policy: since Mr Brown will not say how it might actually work, Mr Wilson should speak up himself

THE Declaration of Intent on productivity, prices and incomes it was called; anyway, Mr George Brown's Christmas box for the nation. It seemed so nice at the time. Government, management and unions all agreed to put their shoulders to the wheel, their noses to the grindstone and their best feet forward. What has happened? The same old story.

For ten years now the underlying pattern of increases in money incomes has gone on pretty well unchanged. Taking year with year, nominal wage rates have gone up by 4 per cent. Earnings—made up of wages, plus all sorts of increased overtime rates, bonuses, etcetera—have been going up at 6 per cent a year. Surprise, surprise: this has been almost exactly the pattern in the first four months of this year. Mr Brown's target of 3½ per cent for broad increases in incomes looks pretty silly as a result. And there are plenty of signs that this rate of increase is stepping up to one of its occasional spurts. So much for productivity and prices, let alone real incomes.

Perhaps, of course, the whole show is a waste of time anyway. Perhaps Mr Powell and the Transport and General Workers' Union are right. But the point now is that the arguments of the incomes policy's critics will go wholly unanswered until a bit of that policy starts to look as though it really might work. It is not asking too much. First, somebody must start to explain what a policy for incomes means, in terms of hard realities rather than of high aspirations. It ought to be Mr Brown, the policy's begetter. He ought to make some speeches not about national self-discipline but about particular cases. But if Mr Brown daren't then Mr Wilson should. This week has thrown up some of the all-too-raw ingredients for them both, in terms not of economic argument but of the political calculations that are the Prime Minister's stock-in-trade. Some of the calculations will be called nasty, arbitrary and unfair. But if they are not made soon the whole dream of an incomes policy will go swirling down the plughole, together with the shreds of some people's reputations as political operators.

The job is, in the words of Mr Aubrey Jones's Prices and Incomes Board, to change "old habits, inherited attitudes and institutional arrangements" throughout the economy. On wages, many of those old habits are sanctioned by the speeches of politicians on both sides of the Commons; many of those institutional arrangements are actually operated by the Government or governmental agencies. If they are to be changed, the Government must do its bit to change them. It cannot all be left to Mr Jones. It was the Government itself—or at least Mr Wedgwood Benn—who crassly gave the postmen their last rise, making over 20 per cent for them in the last two years (though, praise be, Mr Benn has been tougher so far with his telephonists). And it was a Government-appointed arbitration tribunal that on Monday awarded about 13 per cent on the total sum paid to the teachers, and ensured that this should be distributed among them in such a way as to dull the point of giving them an above-the-odds increase at all.

The teachers' arbitration panel was confronted by a claim from the teachers' trade union representatives that was merely frivolous (they asked for 44 per cent, or £150 million, mainly for the young girls from the training colleges who form so large and so vocal a proportion of their recruits). They were also faced with a carefully argued case from the employers—the Department of Education and the local authorities—for a total increase of 12½ per cent, divided among teachers in such a way as to encourage the rising members of the

profession precisely at those stages of their career when they are likely to need encouragement most. The arbitrators raised the employers' offer by only ½ per cent. But they changed it in such a way as to emasculate it of any sense. Not surprisingly, it has turned out to be a highly unpopular award with the public.

Here was a clear example of an exceptional case for an exceptional rise in pay, to carry out an exceptional economic (and social) function. Because of the new Act under which teachers' pay is negotiated, arbitration on the claim was unavoidable once one party had demanded it. The results of the arbitration equally had to be accepted. But when an arbitration tribunal so clearly sets out to wreck the intelligently argued policy of an intelligent government department, surely someone in authority should dare to say what has happened? If the Government is willing to roll over and play dead on this one it must really have given up hope of getting any sensible ideas about incomes into anyone's head—not just trade union leaders but arbitrators as well.

The point to be got across is really a very simple one. It is that exceptional pay rises must be seen to be just that—exceptional, designed either to attract or retain workers of a particular kind, or to compensate workers for giving up a particular sort of restrictive or inefficient way of working. As it happened, Mr Wilson told the Durham miners at their annual gala last weekend that workers must give up going slow or working to rule in defiance of their unions. He was talking about the current nonsense on the railways which could turn out pretty damaging to the Government's rating. The engine drivers' union is now to reconvene its delegate conference in an attempt to free its executive's hand in further pay negotiations with British Rail. Here the railways board is clearly in the right: it insists that a pay rise should be granted only on condition that the men accept more efficient working rules.

Yet, in pursuing this sensible objective, the railways board finds that the framework in which it has to negotiate prevents it from paying a bonus now to certain drivers on south-east coast commuter lines who are already manning their trains economically, and have been for a long time. And the drivers have turned nasty. The moral is obvious. It really will not do to support official trade union organisations simply because they are official; when they behave in a boneheaded way everyone else should not have to mark time to suit their book. It is official, even institutional, ways of carrying on—by arbitrators, by trade unions and by employers' associations—that stand to be most severely knocked about if collective wage bargaining in Britain is ever to respond a bit more closely to the facts of economic life. If they do not dig their heels in soon—and send more specific wage issues before Mr Jones's board, for one thing—Mr Wilson and Mr Brown might as well give up altogether.

Shall We Non-Proliferate?

Yes—provided we realise it is only a step on the arms-cutting road

For Americans, Russians and Britons the answer comes pat. If you have nuclear weapons already, there is a great deal to be said for a treaty in which you promise not to give them to anyone else, and in which the others swear they would not touch them with a bargepole. This, in one-syllable words, is what Lord Chalfont's proposed treaty on non-proliferation or non-dissemination of nuclear arms boils down to. It could be one of the hottest items on the agenda of the 17-nation disarmament talks that reopen in Geneva on Tuesday, if the Russians arrive in a mood to talk business. The trouble is that a move to stop the spread of nuclear arms may sound as simple as coming out against sin, but in fact it is not. Just because a non-proliferation treaty would be an attempt to freeze the dividing line between the nuclear haves and the have-nots, it will make a lot of countries think hard about where they really want to stand.

Despite its name, the chief value of a non-proliferation treaty is not its direct effect on the spread of nuclear arms. It would be no more than a statement of intent. Even if every country in the world signed it (and China certainly would not, and France probably would not) a statement of intent can be snapped like cotton if a country decides later on that its national interests call for snapping it. Half a dozen countries—India, west Germany, Sweden, Canada, Israel and Japan—could start making atom bombs tomorrow if they chose to; half a dozen others could follow suit a little later. Whether any of them will finally decide to go nuclear depends on each one's calculation of the dangers it faces if it does not, and its chances of getting nuclear protection on the right terms from other people. To have signed a pledge to abstain will be, for most of them, a minor inhibition. All the potential nuclear powers signed the 1963 test ban treaty. No one thinks that this would stop, say, the Indians from making a bomb and testing it in the atmosphere if they really felt they must.

This does not mean that a non-proliferation treaty would have no effect at all on the size of the nuclear club. It would; but it would be largely indirect. The first and most spectacular result would be an explosion of anger from Peking. For the Chinese, the treaty would be evidence that the Russians had decided once and for all that coexistence with the West was more important than solidarity with Mr Mao Tse-tung. And the Chinese would probably be right. For the nub of the treaty would be a gentleman's agreement between Russia and America that they had a common interest in not letting nuclear power go on slipping between their joint fingers into other people's hands.

In the long wrangle between China and Russia this would be a moment of truth equal to Mr Khrushchev's attempt last year to call a conference of communist parties even though the Chinese had said they would be damned if they would attend. Mr Khrushchev was deposed before he could bring it off. By signing a non-proliferation treaty, his successors would be admitting that he was on the right track. At once the gap of suspicion between Russia and China would open

wider ; that between Russia and the West would narrow ; and from such a change much more would flow.

One consequence—a good one from the non-proliferation point of view—is that the temptation for some countries to go nuclear might become a bit less pressing. Tough little European neutrals like Sweden and Switzerland, whose generals tell them they need tactical nuclear weapons, would find it easier to hold back if Russia looked even less like a potential invader. India's willingness to stay non-nuclear under the shadow of China's bomb depends partly on whether the offers of protection it gets from outside are compatible with a policy of non-alignment. The better Russia and America are getting on, the better the chances are that India will sit tight under the right sort of two-handled Russian-American umbrella. (Three-handled, if the British little finger counts.) None of this is a hard-and-fast guarantee against proliferation. It simply means that if Russia and America signed an agreement of this sort, the first reaction of many people would be to let out their breath and stop thinking about plutonium.

THAT would be the first reaction. What about the next? The odds are that, after the first flush of enthusiasm, a non-proliferation treaty is going to look to many of the have-nots like a device for letting Russia and America scramble on top of their nuclear piles and then pull the ladder up behind them. There will be talk—the phrase is being used—of a Russian-American condominium of the world. The fact that both nations are rich, white and getting middle-aged increases the suspicions of young, poor, coloured outsiders, which includes the Chinese. Of course the differences between marxist Russia and capitalist America are still so enormous that only the most rudimentary form of collaboration is possible between them for years to come. Yet the suspicion is there ; it rankles, for instance, in the west Germans' plea to be taken into a western nuclear sharing scheme before a non-proliferation treaty is signed. The uncomfortable fact is that a treaty would ease one set of tensions, but heighten another set.

The only way to prevent this is for the Americans and Russians to make it clear that self-denial is not something they expect only of others. Suppose a non-proliferation treaty had been signed and sealed. The next step would be to start looking around for ways of reducing the unnecessary accumulation of nuclear arms and delivery systems over which Russia and America would then have a virtual legal monopoly. Some ideas (for bonfires of obsolescent bombers, say) are already on the talking list. Others, which could cover conventional arms as well as missiles, are not hard to think of ; Lord Chalfont has been thinking of some. The Americans and Russians will not give up their deterrents altogether: it would be bad if they did, until the world is a different place. But it would be sensible for them both to demonstrate that a non-proliferation treaty is not designed to make the gap between the superpowers and the rest go on widening for ever. An arrangement to ban the next generation of more sophisticated superweapons (such as nerve gases—which might be used because they would not blow up the world) would be one earnest of this intention.

Maybe this is all academic. The Russians may be going to Geneva on Tuesday just to say that they will not do business with Americans while the Vietnam war drags on. But just in case it turns out that business is possible, the western powers should have their view on non-proliferation clear. A treaty would bring immediate and obvious benefits. In the longer run it would also involve dangers. On balance, it is certainly worth going for : but it needs to be followed up by measures that actually cut the world's mountain of arms.

Nkrumah's Return

Ghana's leader is getting older and wiser. He may yet cut a figure in Africa, and beyond

WHAT can President Nkrumah of Ghana do for us ? The old question has life in it yet. A few short insults ago Dr Nkrumah was being written off, in Africa and countries beyond, as the politically bankrupt head of a bankrupt little west African republic. With the summer, signs of revival have come. Given luck, the conference of heads of state of African countries due in Accra in September will in fact take place. A ripple of anxiousness to be fair to Dr Nkrumah has been set up in Britain, started by the apology in the *Daily Express* on June 24th. The newspaper had published a picture purporting to be of Ghanaian prisoners in chains ; it was proved to be of Togolese.

But Dr Nkrumah's real opportunity to be taken seriously again came on June 17th, during the Commonwealth conference. That morning, during a sunny garden party, Mr Harold Wilson took Dr Nkrumah by the elbow to a corner of the lawn of Marlborough House ; that afternoon Mr Wilson sprang on the assembled prime ministers his plan for a Commonwealth mission to Vietnam. Dr Nkrumah was named as a member of the mission ; he is still potentially a very important one.

Ever since he invented the Commonwealth mission Mr Wilson has been able to produce a straw a week for everyone to clutch at. Last week's straw was the invitation from Hanoi to Dr Nkrumah to pay President Ho Chi Minh a visit. On Tuesday Dr Nkrumah's High Commissioner in London, Mr. Kwesi Armah (newly appointed minister of foreign trade) set off for Hanoi via Moscow. By Thursday he was back in Zürich and it was still not certain whether he would get to Vietnam.

Whatever this produces for Vietnam, Ghana itself looks as if it is approaching a climacteric. The month to watch is September. If the African heads of state do materialise in Accra they will be trotted off to view the starting-up of the massive Volta river hydro-electric power station. September is also the month of Dr Nkrumah's birthday. He will be 56, which makes him an elder statesman among the young Africans who govern most of the countries around him. Is

age, plus the chastening experience of having been head of a country independent for eight years (twice as long as most other black African states), starting to mature him ?

There are signs that it may be. For evidence of the political middle age of an old revolutionary consider the statement Dr Nkrumah issued in London on June 24th. "It would be unrealistic to suppose that the United States would unconditionally surrender in South Vietnam," he said, and added that he completely supported Mr Wilson's chairmanship of the Commonwealth peace mission. He said more. For the purpose of the mission, "we must regard both the National Liberation Front [the Vietcong] and the Saigon authorities as rival governments engaged in a civil war which it is our object to bring to a negotiated close." This is not the American position. It is, however, also a long way from being the communists'.

The Nkrumah statement could have been drafted by one of Ghana's band of able, sensible, men—Mr Alex Quaison-Sackey, for example (who is now president of the United Nations Assembly and becomes Ghana's foreign minister in September). Ghana has others. Not all of them have been able to stand the politically stifling climate of Accra, but a lot remain. It is this corps of skilled and experienced African diplomats and civil servants that is the first reason for thinking that Dr Nkrumah is still able to become a figure of importance in west Africa, and beyond it too. The trouble in the past has been that, like the other rough radicals in his party, he has neither trusted nor heeded his intellectuals.

Dr Nkrumah has given in to his rough side too often. He may have given in once again a week ago in order to improve his standing with Hanoi. His minister of state for party propaganda, Mr Nathaniel Welbeck, said at the World Peace Congress in Helsinki on July 14th that "it would be a mockery of justice to negotiate on whether America ought to continue in Vietnam." This is not what Dr Nkrumah said in London. Maybe it is the sort of language calculated to open doors in Hanoi. Certainly it is the sort heard all too often in Ghana. Yet Dr Nkrumah's ability to translate from West-language to communist-language could help one day to do the trick over Vietnam.

The second reason for taking Dr Nkrumah seriously again is that he is in economic trouble. It is an exaggeration to say that Ghana is on the point of economic collapse ; but cocoa (which normally represents up to two-thirds of its export earnings) has now dropped disastrously, as explained on page 368. It is at its lowest since the slump of the 1930s. Since independence Ghana has spent the foreign exchange with which it was launched in 1957 on new schools, roads, factories, and a vigorous pan-African and foreign policy. To say that this has been the squandering of a cash-happy dictator is unfair. Ghana remains one of the richest west African countries and could almost afford the manner of life to which it has become accustomed if it were not for the mad vagaries of a world market in cocoa over which, in spite of supplying a third of the world's consumption, it has no control.

Thus Dr Nkrumah's call to the Commonwealth leaders for a search for a way of stabilising the cocoa price came from the heart ; what he would like the West to do for him is to set up an international cocoa agreement. Meanwhile, he has appealed to the International Monetary Fund for help. Quite rightly, the IMF seems to have replied that first he must stop wasting money on Ghana airways ; prune at least some of the 22 (out of 32) of his state corporations that are operating at a loss ; reduce his spending on diplomatic missions abroad ; and look again at defence spending (which takes roughly a seventh of Ghana's revenue).

To this Dr Nkrumah can reply that Ghana is doing many worthwhile things. It has paid for the larger share of the Volta project from its own resources, and the bulk of the rest is coming from commercial-term loans. It is getting Africans involved in the workings of a modern society to an extent matched by no other black African country. The West should recognise this, while never dropping its dislike of the many downright nasty and needlessly totalitarian aspects of Dr Nkrumah's regime. And while it is right for the IMF to insist on the same sort of pre-loan economic reforms from Ghana that it would demand from any other applicant, it is also fair enough, in these dog-days, for Mr Wilson, the horse-trader, to assess the usefulness of Dr Nkrumah and to ask himself: What can I do for the Osagyefo?

COMMENTARY

POLITICS

Thank You and Goodnight, Sir Alec . . .

So Sir Alec Douglas-Home, that man of integrity, has bowed to the inevitable. What he told the Tory 1922 Committee on Thursday night makes sense for him and sense for the party. Opposition was not his métier. While his supporters among the knights of the shire, the housecarles, continued to claim that he was the best potential prime minister the party had, the weight of the evidence about his performance in opposition and the increasing electoral resistance to the idea of returning him personally to office was too great. Not too great for them, but for him. He became Conservative leader in 1963 believing he could reunite the party ; he enjoyed the experience of power ; on some estimates he played a part in running Labour to so close a decision last October (though sterner estimates suggested that it was because of him that enough of the new middle class voted Labour, or Liberal, to give Mr Wilson the verdict). But for the past nine months his total inability to contest the vital undecided ground of present British politics, the central issue of the country's economic predicament, had become increasingly and painfully obvious. That he went on as long as he did is the measure of his own, and the party's, uncertainty about who would be best to succeed him. The precise timing of his indication of departing is thus all the more significant.

It has come when Mr Heath, previously thought to be the favourite crown prince,

may have passed the peak of his popularity during his energetic opposition to the Finance Bill. There seems little doubt that both Sir Alec himself and the loyalists have taken in very bad part the effort of some Heath partisans at Westminster to bring the whole question of the leadership to the boil. If it was meant to be a putsch it was appallingly badly done. *The Economist* still believes that Mr Heath would be the most effective Tory leader. It does so on the basis of Mr Heath's record in the common market negotiations and his desire (exemplified in the abolition of resale price maintenance) to bring increased competitiveness into British industry even at the price of temporary unpopularity. No doubt both of these scores will count against Mr Heath with many of his more backward colleagues in Tuesday's ballot. That is one of the troubles with the Tory party.

The gainer from this, and from the swing in party opinion in the past two weeks, is undoubtedly Mr Maudling. The manner in which Mr Maudling deliberately avoided any impression of a challenge to Sir Alec during this week's foreign affairs debate in the Commons was clearly tuned to the prevailing mood inside the party. He seemed like a golfer arriving on the last tee one up. No need to strain for the extra length, with all the risks of landing in the rough: just a safe, steady drive down the middle. This is the Maudling style. If it had not in the past aroused suspicions of too much benignity, too little willingness to batter down the walls, his claim to the leadership, intellectual and political, would be unassailable today. If he wins, as seems most probable now, he will make a good leader. *The Economist* for one would be greatly encouraged to believe in Tory reform if either he or Mr Heath wins the day. But if the party digs deeper into its conservative roots, say to pick Mr Selwyn Lloyd or Mr Soames, it may well forfeit its next electoral chance to recover the middle ground of politics, the ground that Mr Wilson has been occupying since early last year.

... And Goodnight Frank?

Seven maids with seven mops could not stop the evidence of Mr Cousins's bungling flooding in. The Estimates Committee of the Commons (partly perhaps because the Labour side rarely troubled to turn up) added its all-party dollop on Tuesday, confirming that the Ministry of Technology has been run in a ham-handed way from the start. The committee found the ministry top-heavy with civil service brass, too slow in looking into particular industries, and too ready to appoint quite the wrong people for such inquiries. This is sheer incompetence. It is too silly for words that anyone should try to prop up Mr Cousins politically any longer.

But what is much more serious than Mr Cousins's collapse is the glimpse the whole sorry business gives into the Prime Minister's own scale of priorities. The Ministry of Technology was always an unlovely beast, put together with tenuous logic from bits torn out of other departments. But no one—least of all Mr Wilson, who based his party's platform on the need to modernise Britain—could deny that there was a job to be done and that a way should be sought of bringing the new gospel of technology to the barbaric industrial hordes. That a government took this seriously enough to form the ministry at all was heartening. It is doubly disheartening now to realise that the whole exercise has been a confidence trick. If Mr Wilson meant what he said at such length and so often he should have taken some minimal steps to make sure the new ministry actually worked: say, by putting in a permanent secretary with some talent for organisation, or appointing someone as minister, such as Mr Austen Albu, who had some technical expertise or industrial experience to draw on—or even simply some ideas on the subject. Instead Mr Wilson bowed to an even more crying need: to stay in power. If, after this experience, the Prime Minister really feels so paralysed at the thought of left-wing anger over Vietnam and defence spending that he dare not drop flops like Mr Cousins from the Cabinet then he will find all the more that his power is not worth the having.

FRANCE

Snap

If relations between Washington and Paris were not such a dismally serious business, the Pierrelatte incident would have all the ingredients of a Peter Sellers farce. To begin with, the Americans argued that if an American plane had flown through the forbidden area above the French isotopic separation plant it could only have been by accident, and that the aircraft had been blown off its course by a gale. U-2, answered the French, not meaning *tu quoque*, but simply as a reminder that on other similar occasions similar American stories have been at odds with the truth.

The version produced by the French ministry of defence seems to rule out the possibility of an accident. There was no storm. The American plane had flown over Pierrelatte four times at an altitude of 2,000 feet, twice after being intercepted: the French, seeing the intruder on their radar screen, sent fighters to chase it off, but the American RF-101 left the French Vautour standing and made two more runs over its objective. The French, knowing the number of the plane, traced it back to its base at Darmstein in Germany. On arrival the pilot was greeted by a French officer and handed him all his films. The French claim that these included 175 pictures of the Pierrelatte plant. Washington has not yet given its final version of these events.

Despite their claim to nuclear greatness, the French do not pretend that the United States needs French secrets to catch up with France. The truth is less flattering. Through pictures of Pierrelatte, the Americans can judge French progress in the production of enriched uranium, and thus in the preparation of a French H-bomb. But this does not explain all the mysteries. Did the plane have to fly so low in daylight to get pictures that are for the most part available in French official publications? Were there no other means of communication between allies in Nato? The moral seems to be that there should be. But whose fault is it that there aren't? People who insist on having an independent deterrent must expect to be spied on.

GERMANY

The Mastersinger

How appropriate that the congress of the Bavarian Christian Social Union on July 16th should have been held in the Meistersingerhalle in Nuremberg. Herr Franz-Josef Strauss, the CSU's leader, was very much the star of the occasion. Herr Erhard came a muted second. Herr Strauss was fresh from his victory over *Der Speigel* in the civil courts, and his reception left no doubt about his grip on the Munich cohorts. The Christian Social Union is still the most tightly organised political machine in west Germany, a weight which Herr Strauss can throw at will into whichever scale he pleases when the moment comes for inter-party negotiations after the September elections. Significantly, he emphasised the need for the party to keep its freedom of action and not to pronounce for or against coalitions until the time was ripe. His differences with Herr Erhard and Herr Schröder, the foreign minister, were left unexpressed. He doubtless hopes to be left in possession of the electoral battlefield at the end of September.

On foreign affairs Herr Strauss proclaimed that a reform of Nato was the most important requirement for the future of Europe and Germany. His call for a "dynamic" German policy was clearly much to the taste of his audience, though here he was outdone by another CSU leader, Freiherr zu Guttenberg, who asked for an application of the Hallstein doctrine by west Germany's allies (which would mean their cutting off relations with any country that recognised east Germany) as well as a common policy on east-west trade.

All this is very much the stuff of Bavarian political oratory, and does not necessarily represent the ends Herr Strauss himself would pursue if he were to return to office. What is more to the point is his evident ability to get changes of policy accepted by his followers. Other German politicians carry a heavy and slow-moving baggage of party opinion around with them. Herr Strauss can make Bavarian Christian Socialists dance with agility to his tune. South of the Main he is certainly a mastersinger.

HOVE BY-ELECTION

Straws by the Seaside

THE Government had most to fear from Thursday's by-election in the cast-iron Tory seat at Hove, the result of which was due shortly after *The Economist* went to press. Unless Labour's improved countrywide showing in the National Opinion Poll (now a 4.6 per cent lead) heartened the Labour minority in Portslade, Transport House had reason to expect its candidate to finish a breathless third behind the first Liberal to stand there since 1950. At the last general election Liberals putting up in safe Conservative seaside constituencies tended to take two votes from Labour for every one from the Tories—though what happened in Hove's neighbouring seat Brighton (Pavilion), where a new Liberal picked up 18.6 per cent of the poll, very visibly at the Conservatives' expense, showed there could be damagingly anti-Tory exceptions. Hove is the kind of town where Tories would feel deeply about their

PERCENTAGE VOTE AT HOVE

	Con.	Lab.	Lib.
1964	68·4	31·6	—
1959	74·8	25 2	—
1950	66 9	23 4	9·7

rates (which is why Mr Crossman again promised forthcoming relief). Up to 6 pm it would have voted in the belief that Sir Alec was staying on. The result will be the last verdict on him. Equally, if the Liberals fall below 15 per cent Mr Grimond will have cause to look red in the face. What one would expect at Hove would be a low turnout, which would prejudice most conclusions anyway, but with the Conservative Mr Martin Maddan (who lost Hitchin in 1964) slipping to 60-65 per cent of the poll, and Liberal and Labour gouging each other in an even-stephen split for the remaining 35-40 per cent. Any party that does better than this forecast can be awarded the moral victory.

SECURITY

The Horses Bolted

NO respectable person, and least of all the members of the Standing Security Commission, would want to give encouragement to an enemy. But that, together with derision among friends, is what is likely to arise from the commission's long *post facto* report* on the condemned spies Bossard and Allen. It starts with various feeble excuses for the failure in security procedures that enabled these two men to walk out of highly secret establishments with important documents on what the commission quaintly calls a "photograph-and-return" basis. The documents in Bossard's case came from the guided weapons division of the Ministry of Aviation, and the photographs went to the Soviet Embassy: in Allen's case the papers were from the Land/Air Warfare Directorate, and the photographs were sold to Cairo.

The two men involved were wildly different. Bossard was an ex-convict, a habitual and detected liar, and a professional spy who seems to have passed over information of one sort or another, for gain, at two-monthly intervals from late 1961 until his arrest *in flagrante delictu* in March this year. Sergeant Allen was a decent soldier with wife-and-money troubles, who rang up the Iraqi military attaché to see whether he had a buyer. It did not apparently occur to him to consult an officer about his problems. Both cases, on the evidence presented, could surely have been forestalled. But they were not. The story is one of ludicrous amateurism, too widespread to be described here. (Although some phrases in the report invite a raspberry: " . . We think it undesirable that there should be GPO boxes inside Government buildings where highly classified documents are held.") On the face of it although in security matters there are some things that rightly remain secure—the watchdogs could not even start their counter-measures until the court proceedings against the spies were over: presumably their foreign contacts took the slow boat home, laughing all the way. Certainly the recommendations of this report seem sensible; and the Prime Minister announced some timely reforms and a timely disciplinary inquiry on Thursday. Things may get better soon. But what the hell sort of outfits are running the British armed services anyway?

* Cmnd 2722. 3s. 6d.

COMMUNIST WORLD

Rumania for the Rumanians

TREATED by their hosts with scrupulous impartiality, the Russian and Chinese delegations to the Rumanian party congress in Bucharest have behaved with notable restraint. From the Russians this self-control is no surprise; they seem for the present to have settled for dignified restraint in their dealings with the Chinese. But at the world peace conference in Helsinki the week before the violence of the Chinese delegates' anti-Russian passions was unconfined; in Bucharest, by contrast, they expressed their feelings only in their unsmiling faces and reluctance to applaud. They showed similar restraint last year during the celebrations in Bucharest of twenty years of communist rule. Evidently even the benevolent neutrality of the Rumanians is too valuable to be jeopardised by displays of temper which would wrench publicity away from the proper business of the congress.

If anyone felt tempted to try some diversionary tactics in Bucharest, it must have been the Russians, because the whole affair was really a triumphant celebration of the Rumanians' success in throwing off Russian tutelage. The last congress five years ago was dominated by Mr Khrushchev, who used the occasion to hold a communist summit meeting. This time the Rumanians have been holding the centre of their own stage. In the long speech by the party leader, Mr Ceausescu, on July 19th, there were none of the customary tributes to the Soviet party or to the Bolshevik revolution. Similarly, in the new constitution presented to the congress, all the rather obsequious references to the Soviet Union in the old one have been dropped. Moreover, the Rumanian leaders have decided, without any by-your-leaves to Moscow or anyone else, to up-grade their regime from a "people's" to a "socialist" republic; the only other members of this category are Russia, Czechoslovakia, and Jugoslavia.

Mr Ceausescu's oblique references to the causes of Rumania's quarrel with Mr Khrushchev will not have been lost on his audience. He emphasised the "exclusive right" of every communist party to work out its own independent political line; and he justified the Rumanians' all-round development of their industry on the ground that they must not become "slaves of the stranger." (Did he really mean the Russians?) All this, and a good deal else, must have been hard for Mr Brezhnev and his colleagues to bear. But they took it on the chin with polite applause. Although they may not have much choice, their realistic good sense deserves some acknowledgment; one hopes they will keep it up.

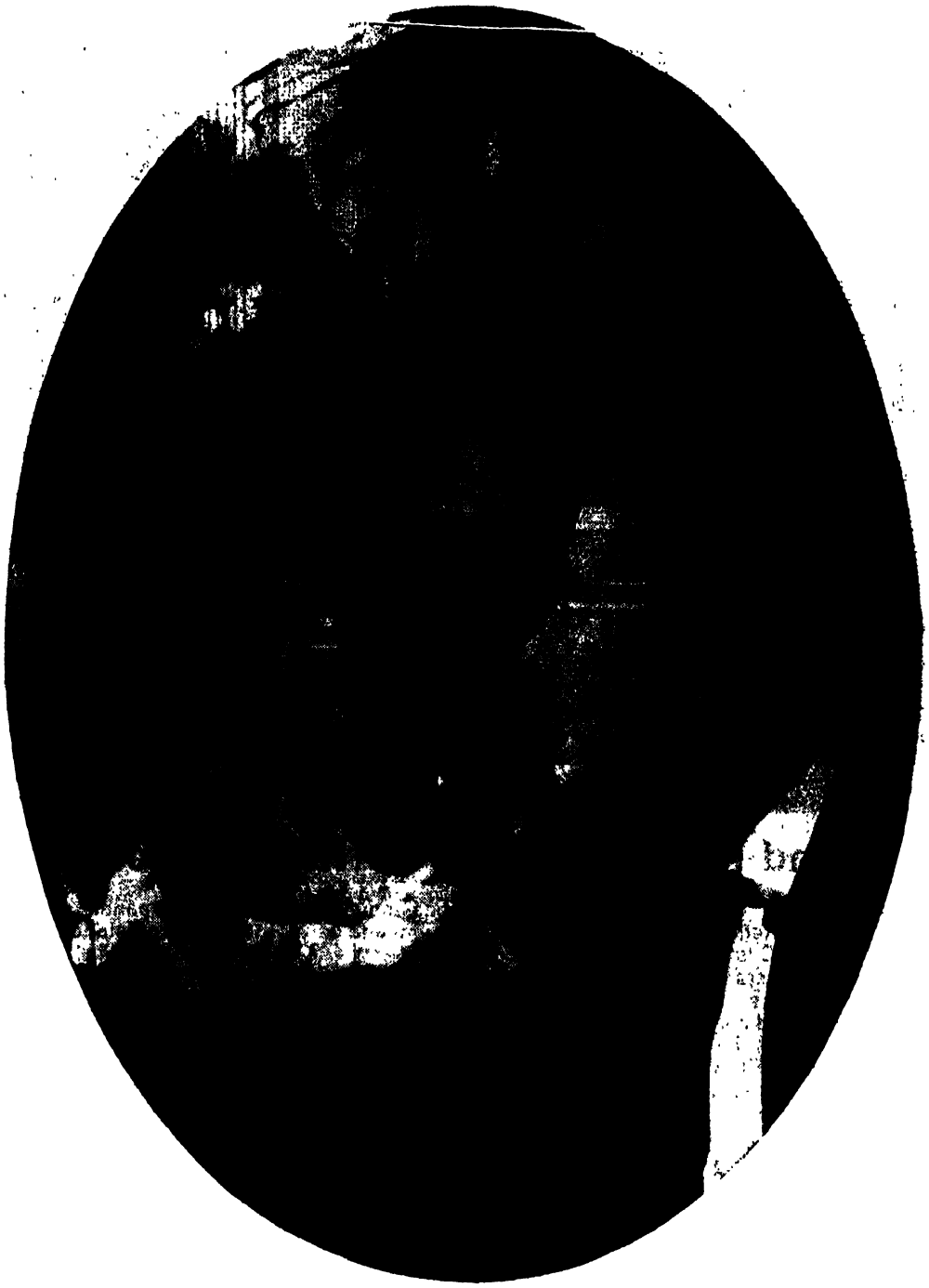
ADOPTION

The Law's Delay

ANY conflict over an adoption is painful, particularly if the child concerned is old enough to know what is happening. But a judgment last week revealed that the law as it stands, and still worse the practice of the courts, can inflict quite unnecessary distress and distortion by failing to provide a quick solution in a case of disagreement over consent to the adoption. Mr Justice Cross gave judgment in open court in order to call for reform.

In this case (now under appeal) a father had placed his two children for adoption but regretted it within three months, the minimum period for obtaining an adoption order. This was in February 1961. For various complicated reasons a dispute developed between him on the one side and the adoption society and the adoptive parents on the other. After about two years the would-be adopters issued a summons against him for unreasonably withholding his consent. It then took no less than two and a half years for the Chancery Division to get round to hearing the case, in June of this year. Meanwhile, the children, aged eleven and six, had been living devotedly with the adoptive couple for four and a half years (except for a few months when the

VANYPECO



THE PACE-SETTER

(Pace-setters savour Sabena's gift for in-flight charm)

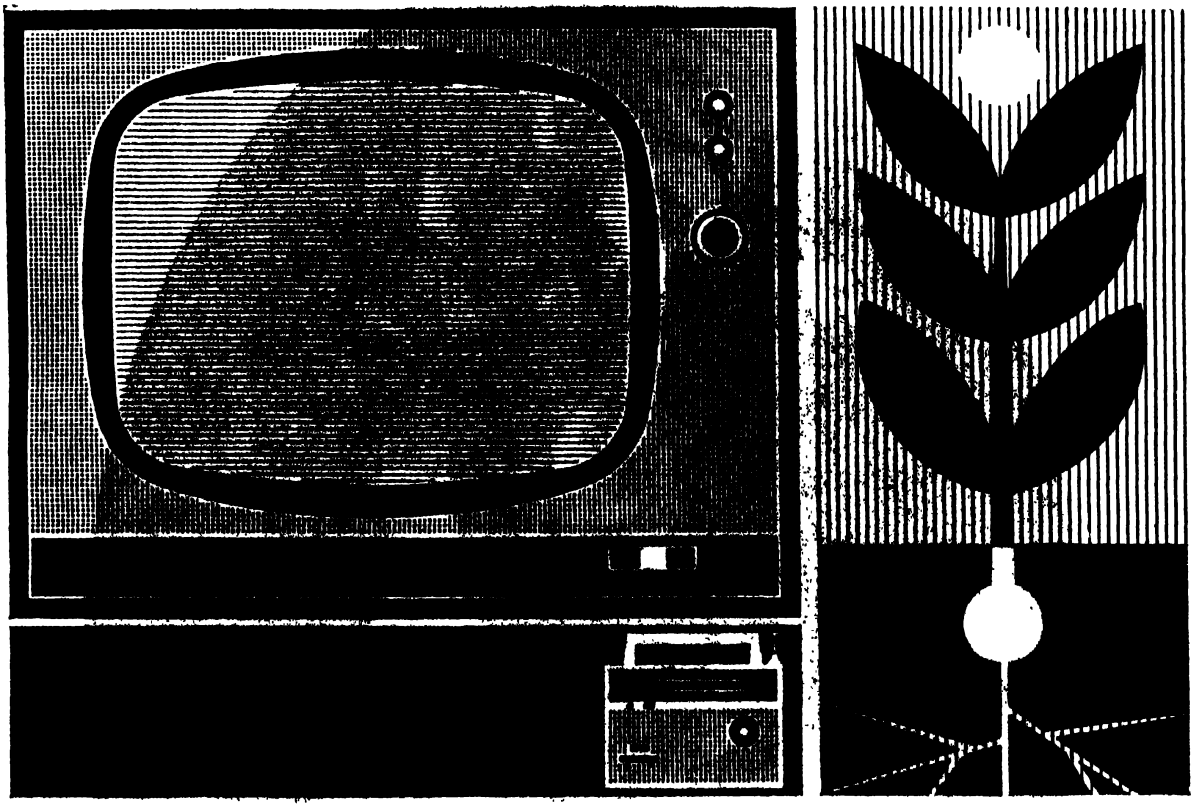
You are to be congratulated for your discovery of a really clever comedian. They are so seldom found these days. You told us about him on your last flight over. Remember? And we decided to take in a performance. Oh, we see he's coming over to your table. Will we join you? Why, we would be delighted! As we were saying to a friend only the other day, one can always be a pace-setter, like yourself, of course. It's your ability to find truly talented people. It goes with your unerring skill for picking the best.

It's obvious. You fly with us. You fly Sabena.

SABENA

BELGIAN World AIRLINES

SABENA, THE ONLY INTERNATIONAL NETWORK HOMING ON BRUSSELS, HUB OF THE COMMON MARKET



STC—key to TV and radio and key link in the British economy

With such well-known brand names as KB, RGD, Regentone, Ace and Argosy, STC is one of the six largest producers of radio and television receivers, radiograms and record players in the UK. Anticipating the introduction of BBC2, KB was one of the first to make dual-standard sets to receive the new programmes. Britain's first fully-portable mains television set was introduced by STC under the KB and RGD brands.

STC is part of the world's largest manufacturer and supplier of telecommunications and allied electronics equipment and its activity encompasses international radio, TV, telephone and telegraph transmission networks, navigational aids, submarine communication systems, marine and aerospace communications, earth-space links, control and data processing systems, components, domestic radio and television.

STC is expanding rapidly as a result of outstanding technical achievements in telecommunications and allied electronics. Millions of pounds are spent each year on research, development and training. STC exports some 40% of its products in the face of tough international competition.

STC employs over 30,000 people in 19 principal UK plants and has expanded into government-designated development areas.

Standard Telephones and Cables Limited, Connaught House, Aldwych, London, WC2.

world-wide telecommunications and electronics **STC**

65/4 BZ

father recovered custody of the younger). This factor (among others) was crucial in the judge's decision to make an adoption order.

When the interests of children dictate (as they must do) minimum disturbance and a stable background, a long delay is bound to influence strongly the outcome of a dispute in favour of whoever has custody of the child. The Chancery Division should act quickly, as Mr Justice Cross suggested, to amend its procedure so as to set a short time limit between the preliminary proceedings before a master and the hearing before a judge. At present there is no time limit, and demands for elaborate affidavit evidence can be spun out for years. If a date for an early hearing were fixed in advance, to take place whether or not affidavits were complete, the Chancery division could emulate the much more humane practice of the Divorce division which is geared to settle custody disputes at short notice.

There is the additional question of the lack of provision in the 1958 Adoption Act for the quick intervention of the court if a parent's consent is withdrawn, particularly within the three-month period, and a disagreement ensues. As the judge pointed out, the present system can put far too much responsibility on the adoption society, whose main concern is to see adoptions through. But perhaps it is hard to eliminate this element altogether as long as the arrangements are handled by societies whose business is adoption, rather than independent bodies (such as local authorities) who could act simply on behalf of the child.

THE LAW

Rape!

THE Court of Criminal Appeal recently refused leave to a man of 23 to appeal against a sentence of 3 years' imprisonment passed on him at Liverpool last March after conviction of rape. The raped girl was in fact his girl friend and she had permitted during their friendship what the Court of Criminal Appeal called "a degree of sexual familiarity." On the night the offence was committed the girl had gone to her boy friends' house quite voluntarily to spend the evening with him. The Court of Criminal Appeal, through Mr Justice Ashworth, stated that there was strong evidence at the trial to show that there was consent, but went on to add that the defendant had been convicted on "police evidence." Apparently this meant that he did not deny the use of some force when challenged by the police. Meanwhile the girl friend had informed the court that she was in fact willing to have sexual intercourse on the night in question, that she had not realised the gravity of her complaint, and that she wanted to marry the defendant. Mr Justice Ashworth held that the sentence was right in principle and "well deserved." This astonishing conclusion should be immediately reviewed by the Home Secretary.

HANGING

No Wreckers Please

THE House of Lords this week confounded its critics by giving a majority of 100 on second reading to the bill to abolish the death penalty.

Now the bill goes to a committee of the Lords. It is most firmly to be hoped that they will resist the temptation to fix long determinate sentences for murderers of any type, or to give the judges powers to fix such sentences. The top judges in the Lords seem to be insisting on the judiciary's collective rights in this matter, much as shipyard workers insist on their right to bore certain holes. But this bill is a great and long overdue measure of reform. It will have to be renewed after five years' trial. It would be tragic if the peers' often genuine care for the protection of the public led them to impose a new sort of penalty for murder that could destroy the minds of some men who lie within the reach of rescue as surely as the rope now snaps their necks.

MALAYSIA

Thrown Out

MR ALEX JOSEY, the British freelance journalist expelled from Malaysia, arrived in Britain this week. He had been expelled, because, according to the Malaysian government,

> he has interfered in the internal politics of Malaysia, and has indulged in activities aimed at disrupting inter-racial harmony, thereby abusing the privilege he has enjoyed as a foreign correspondent.

Mr Josey denied these charges and *The Economist* denies them too if they are supposed to be based on either of the two articles he had written for us. Mr Josey was also accused of being a press relations man to the prime minister of Singapore, Mr Lee Kuan Yew. We knew when we accepted his articles that he was connected with Mr Lee, and that there was a risk of bias. We did not find it. In *The Economist* of June 5th Mr Josey described the tension between Singapore and Kuala Lumpur, and its communal overtones. We believe this article was a fair statement of facts that have all been far more extensively reported in Malaysian papers. It did not even attempt to ascribe the blame for communal tension, which other journalists have pinned primarily on the extremists of the United Malays National Organisation, the largest of the parties in the Malaysian government.

We have asked for evidence that Mr Josey was interfering in Malaysian politics outside his journalistic activities, and have not been given any. We are left wondering whether he was thrown out for being friendly with Mr Lee, or simply for reporting facts that the central government does not want reported. Two other British journalists—the *Observer's* correspondent earlier, the *Daily Mail* correspondent this week—have been warned for much the same offence, an offence in which being critical of the government or the major ruling party seems to play a considerable part. If the Malaysian government wants to silence criticism, let it say so, and its supporters will then know where they stand.

We print on page 329 a third article by Mr Josey. It is mildly critical of Malaysia's government. We believe it is also fair.

The Economist

JULY 22, 1865

PRODUCTS OF OXFORD

Forty years ago Mr Canning said, in a speech on Catholic Emancipation, "I was warned when the question first crossed my path that I must relinquish the most cherished object of my life—the representation of the University of Oxford." . . . To sit then for Oxford gave then of itself an unequalled prestige both in the House and out of it. The political world of that day, mostly educated at two Universities, recognised in the most fascinating and aristocratic of these Universities an inherent charm. All this is now gone. Parliament has been reformed, and a race of men educated "nowhere," as would have been said once, but quite able intellectually to hold their own, throng the lower House. And Oxford has herself to blame. It is she that has dissolved the charm which she inherited. The new race of members were deeply susceptible of cultivated influence, or why did Mr Gladstone's words so fascinate Liverpool and Manchester? But Oxford will choose her worst men and will not choose her best. The cause lies deep in her teaching and that of the public schools. She gives, as Eton gives, a splendid teaching to the few, and a contemptible teaching to the many. Consequently, the products of her teaching in no way represent her teachers. . . . You cannot make a good University constituency where the necessary attainments of a graduate represent a feeble and irregular culture. To create great men is not enough; Oxford has quite done her share of that in this generation. . . . But Oxford has produced (as we have heard a tutor regret) a "stupid average," and it is this average which rules the poll. It is this average which excluded Mr Canning, which rejected Sir R. Peel, which rejected Mr Gladstone,—which, in a word, refused to elect the three statesmen who were in their generations the best products of her teaching, and who were alike in this—that they each at least tried to combine the true Conservatism and the true Liberalism—the inheritance of the past and the necessities of the present.

...BUT DOES HE REALLY FEEL PART OF YOUR TEAM?

You pay him well, reward his ability with promotion. He has the security of a pension. He should feel part of the team—but how do you *know* that he does?

It is hardly necessary to mention that nowadays able executives are at a premium. A glance at the ever-increasing advertisements put out by companies hoping to attract top staff will quickly remind you of this. And top staff are well known to be occupationally mobile—only 504 out of 1000 executives in a recent McGraw-Hill sample study held the same job, in the same company, in the same place, for longer than 12 months. This was over a 20-year period!

Yet paying good money is not enough to make the best executives stay. They must also feel happy. And happiness in an enterprise comes from the feeling of being wanted, from the realization that any special initiative or effort taken on the firm's behalf will be noticed and appreciated.

Any real leader of men knows that there is more to it than the salary slip—that there is, as well, an invisible but real reward which makes some organizations great, unassailable.

This is why the chief executives of the most famous firms in the world pay as much attention to presentation schemes as they do to salary increases and bonuses. For the right kind of presentation is not impersonal as money is—it is a human gesture which does not come in monthly instalments, subject to good behaviour. There are no strings. It is a warm, personal expression of thanks valued as such by the man who receives it.

What form should your firm's presentations take? They should be gifts *of a quality that you would like to receive yourself*. Nothing less. For this reason Rolex watches are the presentation gifts *par excellence*. Rolex watches are worn by world leaders in politics, finance, industry and technology. This is no idle claim—the dazzling array of portraits of famous Rolex owners on the walls of the Rolex headquarters at Geneva proves it.*

So the executive who receives a Rolex instinctively feels that his work is appreciated fully.

***If you are in Geneva, you will be welcomed at our world headquarters**

ROLEX

A landmark in the history of Time measurement

For a copy of the illustrated presentation brochure, please write to
THE ROLEX WATCH COMPANY LIMITED (*Founder: H. Wilsdorf*)
GENEVA, SWITZERLAND

THE WORLD INTERNATIONAL REPORT

Papandreou after dismissal

Article 114: the Greek constitution is entrusted to "the patriotism of the people"

Under Papandreou's banner

FROM OUR ATHENS CORRESPONDENT

MORE than a hundred years ago the Greeks imported monarchy ". . . so that all division and rivalry . . . should cease." Neither division nor rivalry has ceased, and the Greek kings have found themselves in the centre of every political tornado. The present crisis has not strayed from this traditional pattern. But it has moved Athenian demonstrators to shout "we want a plebiscite" (on the monarchy); a demand not heard even at the most bitterly controversial moments of King Paul's reign.

Basically, the Greek attitude towards the monarchy is quite simple: the king is a good, impartial moderator if he disagrees with your opponents; if he disagrees with you, he is bad and maybe should be deposed. Not that Mr Papandreou, who was abruptly and surprisingly dismissed by King Constantine on July 15th, wishes to raise the constitutional issue at the moment. But as part of his intricate political game, this elderly wily politician has often in recent years put pressure on the crown to further his aims—and not without some success.

The dispute between the king and Mr Papandreou concerned the dismissal of the defence minister, Mr Garoufalias, who, like the king, opposed Mr Papandreou's plan for an army purge for fear it might expose the army to extreme left-wing influences. Mr Papandreou asked the king to sign a decree dismissing Mr Garoufalias, who had refused to resign. But the same decree appointed Mr Papandreou himself as defence minister. His own party criticised him for this, since it was bound to lay him open to the charge that he wanted direct control over the proposed inquiry into Aspida, the secret left-wing society which had been discovered in the army, in order to cover up for his son, Andreas, who is said to have been involved in the society.

In three sharply worded letters, the king tried to dissuade Mr Papandreou from taking over the defence ministry himself. In one of these he evidently alluded to the complication of Mr Andreas Papandreou's alleged involvement in Aspida, when he wrote: "Do not insist on assuming personally the defence ministry at the present time. This action, for reasons which I have explained . . . would be a heavy blow to your personal prestige and to the party of which you are leader. . . . ." The king said that he was willing to sign the decree dismissing Mr Garoufalias and to appoint "one of your collaborators" to replace him.

It is significant that in the dramatic moments before the palace showdown most members of the cabinet urged Mr Papandreou not to let this personal issue lead to a crisis. Mr Papandreou, however, represented his disagreement with the king as one of principle: has the king the right to veto the prime minister's choice of ministers? It is under this constitutional banner that Mr Papandreou is now waging the struggle for his return to power: does the king reign or rule?

It is difficult to see what will happen next. Mr Athanasiadis-Novas, a gently moderate politician, seems an ideal choice in this period of transition, when a cool head is needed to damp down the excitement that the misrepresentation of the king's motives has created. But he has managed only to gain the loyalty of a group of twenty deputies who already bore a grudge against Mr Papandreou, and it remains to be seen whether any more deputies will come his way to give him the Centre Union majority in parliament that would keep him in power.

Mr Papandreou is no longer demanding elections as he did

when the crisis was building up. This is odd, because if elections were held he would certainly win them. His popularity has been enhanced, at the cost of undermining the Greek economy, by an improvised incomes policy which he has been proudly advertising as a "policy of social justice." Does he fear that the threat of elections might encourage the defection of deputies who dread yet another exhausting and costly election campaign? Or it could be that Mr Papandreou realises that elections at this point would in fact be a plebiscite on the monarchy and is fearful of what might happen to Greece if this remaining symbol of the unity of the non-communists were removed. The issue has been reduced to one of personal prestige between the king and Mr Papandreou. This became clear from the two possibilities for a settlement that have been under discussion in Athens. One was that Mr Papandreou should return to power having conceded that his conservative deputy premier, Mr Stefanopoulos, should take over the defence ministry; the other was that a government under Mr Stefanopoulos should be formed with Mr Papandreou's blessing. Both solutions were designed to avert elections at a time when they might prove hazardous for Greece.

Can the centre hold?

FROM OUR SPECIAL CORRESPONDENT

Bonn

FROM habit, it tends to be assumed in Britain that General de Gaulle will have a walkover in the latest and most punishing bout of the recurrent common market crisis. This may be so. The Five would certainly like to continue their policy of pacifically trying to out-sit the general. They do not see eye to eye among themselves and therefore make a typically weak coalition. Their only possible leader, Germany, is anxious not to throw away the profits of a major achievement—its reconciliation with France—for a quarrel on supranationality with the ageing general.

Yet a new tone can be distinctly heard in German reactions to the crisis. In the past year General de Gaulle has extracted big financial concessions from Bonn over agriculture—which, to a puritanical, mercantile society, is like a dip into its soul. In return, he has suggested to the Russians agreements that sound suspiciously like a condominium over Germany; he has teamed up with Moscow against Bonn on colour television in Europe; he has haggled over commas in Nato communiqués; he has rejected Herr Erhard's dream of a summit on European political co-operation; and he has now frozen the common market. The Germans are quietly fed up.

This is revealed in the new determination to bargain as coolly as the French themselves. Signor Fanfani, Mr Luns and even Mr Spaak, the foreign ministers of Italy, Holland and Belgium, have all told the French that a compromise is within easy reach if the French want it, but it will not be one that changes the Rome treaty (the constitution of the European community). The Five are holding the Council of Ministers meeting on July 26th despite the French boycott. And in spite of M. Couve de Murville's remark that "these will commit nobody," they have asked the European Commission to put forward compromise proposals. In short, they are backing up the contention they made when the talks broke down on June 30th that a deal was imminent. They are throwing the ball back to General de Gaulle.

There is little doubt in Bonn that a settlement is there for the picking if the general decides to stoop. But if, as is widely believed, the French aim is a ritual castration of the European Commission, the Germans will not be a party to the ceremony, even if it is called a "gentleman's agreement."

Nobody would be surprised if the French asked for a "gentleman's agreement" to give up majority voting in the Council of Ministers, due to enter into force for most policy decisions on January 1st. They might also seek to restrict the commission to making proposals that member governments had already agreed it should make, thus depriving it of its basic birth-right—that of initiative. In practice, there has only been one case of a policy formally pushed through by a majority vote—one in Euratom that went against France—and a compromise might make use of this ambiguity. But the Germans consider that a commitment would amount to a rejection of the Rome treaty and, as gentlemen whose own past makes them take international obligations seriously, they are not ready to comply.

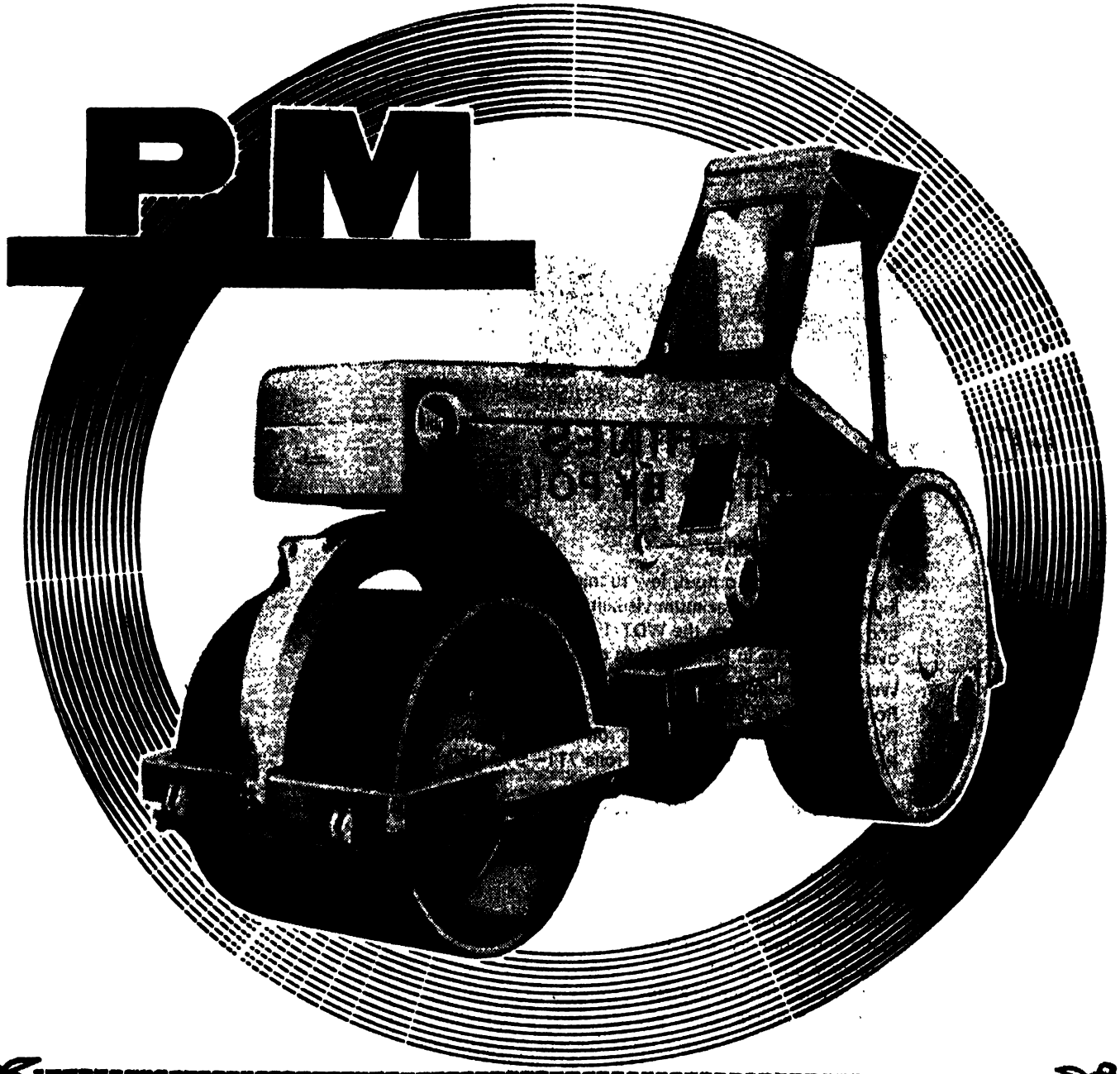
Some Germans are even hinting that the undoubted weaknesses in the French legal position might, if the crisis goes on too long, have to be exploited *faute de mieux*. The French government says it will oppose the reappointment at the end of the year of the two integrationist leaders of the European Commission, the German president, Dr Hallstein, and the Dutch vice-president, Mr Mansholt. But this could rebound on the French, since all six partners must agree on new members or else the present team stays on. Similarly, if Paris maintains the freeze into 1966, the Five could stretch an obscure legal point and take decisions in the Council of Ministers without France. Theoretically, they could even institute free trade with the European Free Trade Association or clinch the Kennedy round of tariff talks with America in this way.

It is hard to imagine this tactic being carried through, even if the Five held together. It is difficult in Britain to realise the enormity for the Germans of any move that might cut them off from the political, moral and military hinterland of the French relationship. They are also intensely aware of the limitations their Nazi past put in the path of an empty-chair policy in the common market—which they do not want to pursue, anyway. Bonn's strategy is likely to remain defensive, both in Europe and in Nato; and the general's strength is presumed to be that he remains calmly confident the Five can do nothing else.

But uncertainty is at the heart of any policy of deterrence and new uncertainties lurk just below the surface of the present crisis. Today, the Germans are handicapped because they are trying to steer between fidelity to France and fidelity to the Rome treaty with no assurance that there is a channel between them. But if General de Gaulle got away with an attack on the Rome treaty and savaged the federal aspirations vested in Brussels, he would be bound to create incalculable pressures on the Five for freer trade with Britain and perhaps even with America. Already the German Social Democrats are beginning to try to square the circle drawn by General de Gaulle with the argument that any non-supranational agreements with Britain ought to be acceptable to France. The general can hardly want that kind of political competition if he can avoid it.

Yet if he stays his hand and contents himself with humiliating the European Commission by changing its personnel and by negotiating a favourable farm agreement with the governments of the other member states, he may find his victory ends as a Day of Dupes. The governments need the European Commission to produce the compromises they cannot usually reach themselves and to administer the common market. The farmers and industrialists, too, now look to the commission. The nature of the common market's development, and not a bevy of formal rights, give the European Commission its growing power. It may not be easy to kill by stealth; and, if it is not killed, federalism will outlive the general.

Thus both sides have a difficult hand to play and the first to be in a hurry will have to pay. It should, therefore, be a long crisis,



(If you are interested in any item of Polish Machinery listed overleaf—please fill in this coupon for full details).

NAME _____

ADDRESS _____

_____

FIRM _____

_____

POSITION HELD _____

_____

TYPE OF BUSINESS _____ EC/10

POLIMEX

PM

POLISH MACHINES
EXPORTED BY POLIMEX:

WDT-1 Road Roller

Designed for high output, low running costs, easy maintenance and maximum visibility. Due to its superb design and high performance the WDT-1 roller has been selected by many overseas buyers in preference to other international models.

Weight 8 tons approx.
Rolling width 72 inches approx.
Pressure on ground of the front roll 426 lbs./sq. inch approx.
Pressure on ground of the rear rolls 711—995 lbs./sq. inch approx.

OTHER HIGH QUALITY MACHINERY EXPORTED BY POLIMEX

cranes
universal excavators
rams and vibrohammers
vibratory tampactors
static and vibratory road rollers
aggregate coating sets
asphalt and bitumen heaters
bitumen sprinklers

(Please tick appropriate square to indicate items in which you are interested. Full information will be sent as soon as possible).

☐ road rollers
☐ cranes
☐ universal excavators
☐ rams and vibrohammers
☐ vibratory tampactors
☐ static and vibratory road rollers
☐ aggregate coating sets
☐ asphalt and bitumen heaters
☐ bitumen sprinklers

YOUR REMARKS:
(Please note your questions and queries here)

POL 37

with little hope of a deal till after the German elections in September. Though surprises are likely—President de Gaulle will be holding a press conference in August or September—the most probable outcome is a compromise which postpones or downgrades supranational hopes but really leaves the ultimate institutional issue open. If so, this might lead to a basic challenge to the structure of the European community by General de Gaulle, say at the end of 1967, when the common market, the coal and steel community and Euratom are to be merged in a single European economic union. If, on the other hand, the present crisis drags on for a long time, one may find that, under stress, the assumptions with which the parties have entered the dispute gradually begin to change. In that case there might be a general movement away from the old commitments to supranationalism and the Europe of the Six.

BRITAIN AND EUROPE

Reasons why

THE July number of the Journal of Common Market Studies, devoted to Britain and Europe, is the first attempt to reassess the arguments for British entry into the European Community since the issue came alive again this year. It has interesting papers from Mr John Pinder and Mr John Bowyer on the thesis that "the scale of technology has begun to outstrip the scale of the European nation-state." Yet the really interesting thing is how the emphasis since 1962 has shifted from economics to politics and defence.

The authors, who include members of all three British parties, publish an introductory statement calling on the British government to make an "unequivocal declaration of its determination to join the European community with all its implications in politics and defence." On defence, Mr Noel Salter pleads for a European conventional (but not nuclear) defence community on top of an Atlantic nuclear one, as the best means of bringing Britain closer to Europe and Europe closer to effective equality with America. There seems little doubt that, with the British defence review under way, there are opportunities for at least some joint defence production in Europe—which would be a major step on the way.

In some ways, one of the most interesting angles of the pro-European arguments is the claim that Britain's entry into Europe would help, not hinder, east-west agreement (a point argued strongly by Mr Christopher Layton and Mr Richard Mayne). This runs counter to the contention of most of the left wing in Britain and France, and to the argument now put forward that General de Gaulle is helping an east-west detente by attacking the European institutions in Brussels. But the "Europeans" here argue that whatever the theory may be, there can only be a real east-west agreement if both America and Germany are among the sponsors. This is a basic question that has never been really thrashed out in the debate on Britain and Europe.

Like everyone else, the authors hover uneasily around the question of what is possible (for instance on defence) while General de Gaulle rules in Paris. Yet on one point they can claim to score. If the British government had already, in the past, made the kind of declaration of European intent they support, the present common market crisis might look very different from the way it looks today.

FRANCE AND RUSSIA

Early wheat

FROM OUR PARIS CORRESPONDENT

ON Tuesday the French government signed contracts for the sale of 600,000 tons of wheat (roughly one-sixth of the surplus expected this year) to Russia and Poland. Half of this will be shipped to Russia by December and be paid for immediately in cash. The other half, for Poland, will be paid for over a longer period. The agreements are significant because they were signed exceptionally early in the season, because they confirm doubts about the size of this year's Russian harvest, and because they suggest that Moscow is keen to show willing when the European common market countries are quarrelling over farm prices.

The Russians claim that the disastrous harvest in 1963 was followed by a bumper one in 1964, when wheat production rose from 50 million tons to 74 million tons. There are signs that this year will be less lucky. In Volgograd, on July 11th, Mr Kosygin admitted that the weather this spring had been "uneven and not everywhere favourable."

When Mr Khrushchev was forced to buy large stocks of wheat from outside he turned to Canada and Australia. His successors may have chosen France in order to demonstrate their preference for the western country least associated with American policy in Vietnam. It is reported in Paris that the French were, in fact, rather reluctant to sell at this stage; they wanted to hold on to the wheat for a time in order to keep domestic prices at their present level. But the deal was clinched because the Russians offered reasonable terms—and were in a hurry. Indeed, it is thought here that Russian haste cost the more patient Poles a lot of money.

At first sight, it might seem that the French government was glad of this chance to show its partners in the common market that it has promising other outlets for its food products. In fact, the common market connection is more complex. Under the existing complicated rules, the community will have to contribute something like half of the French subsidy for these exports. This will be a reminder to Paris that the community has its financial advantages.

LATIN AMERICA

Fight postponed

WITH the Dominican situation still drifting soggily, the United States and the Latin American republics have agreed to postpone the clash that is bound to happen when the Organisation of American States finally has its meeting of foreign ministers. The meeting was to have taken place in Rio de Janeiro in May; because of the Dominican imbroglio it was put off until August 4th. It has now been postponed again.

All sides agree that at the foreign ministers' meeting something fundamental will have to be done about the OAS. But while the United States, with Brazil and several of the small central American republics, wants to strengthen the organisation's "peace-keeping" powers and water down talk about "non-intervention," the Mexicans, Chileans, Uruguayans and others are thinking nostagically of the days, not so long ago, when it was argued that communism should be fought by social and economic measures, not by "peace-keeping" policemen.

Many Latin American leaders feel that the OAS was brought into deep disrepute by the part it played (and is still playing) in the Dominican crisis. Yet none is willing to be the first to walk out and leave the organisation tumbling in ruins behind him. To enable the organisation to survive usefully, they believe it should be reorganised on the basis of the principles that gave birth to President Kennedy's Alliance for Progress. They also hold that it is impossible to formulate rules that encompass countries so far apart in every way as, say, El Salvador and Chile. The idea of a permanent peace-keeping force is anathema to them.

Certainly, if the United States is trying to push the peace force concept, the Dominican Republic does not provide a happy illustration of its work in practice. On July 20th, representatives of the Dominican junta and the Dominican "rebels" separately petitioned the Security Council for the withdrawal of the inter-American force. With very different thoughts in their minds, but in almost identical words, the two delegates assured the council that only after the withdrawal of the force could peace and order be restored to the republic. It is an odd sort of unity for the OAS to have brought to the bitterly contending Dominican factions.

SOUTH ARABIA FEDERATION

Highland chiefs and city slickers

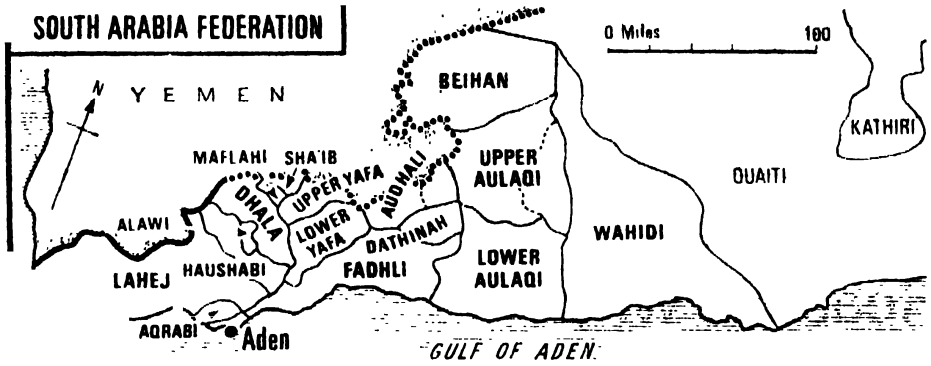
FROM A SPECIAL CORRESPONDENT IN ADEN

ANY prospect that Aden and the 16 tribal states that comprise the South Arabia Federation will march peacefully to independence " not later than 1968 " now looks exceedingly dim. The ruler of the small state of Sha'ib, who was killed on July 7th in a premeditated operation, was the only tribal ruler who openly sympathised with the demands for " universal franchise " made by Mr Abdul Mackawee, the chief minister of Aden, and by Mr Abdullah al Asnag, the leader of the Aden's People's Socialist party. During the last week, grenade throwing and similar incidents in Aden have declined but British and federal troops have found " dissident " tribesmen crossing the frontier from Yemen in larger numbers than before and ready to fight by day as well as by night. An operation north of Dhala, that your correspondent witnessed, showed that the two sides are well-matched and the British and federal forces are unlikely to gain any decisive advantage on the present scale of effort.

On Tuesday Mr Mackawee withdrew the Aden representatives from the South Arabian federal council. The next day the chief minister went on to disprove the British jibe that he is not as strong as he sounds by persuading the Sudanese member of the three-man South Arabia constitutional commission, Sayyid Abu Rannat, to withdraw from the commission (which has now postponed its visit to Aden indefinitely). He clinched this demonstration of Arab unity by demanding of Sir Richard Turnbull, the British high commissioner, that the 1964 treaty of friendship and protection between Britain and the federation be revoked.

But in spite of his tough attitude, Mr Mackawee is anxious to avoid letting the impasse degenerate into violence. In an interview with your correspondent on Thursday he implied that if a British government minister were to come to Aden in genuine search of a solution, the Adenis would drop their insistence on the British lifting the state of emergency and withdrawing British troops from internal security duties.

The " international " commission was the result of the visit to the federation of the colonial secretary, Mr Anthony Greenwood, last December. Mr Greenwood then mooted the idea of an independent unitary state ; his critics in Aden thought that this was a measure meant to postpone immediate discussion of practical issues and Adeni demands. In any case, the object of the proposed commission has never been clearly defined and in Aden there were doubts as to how the members, however pragmatic and patient they might be, could reconcile the insistence of the tribal rulers that their



already considerable powers should be increased with the fears of Mr Mackawee and Mr Asnag that to give in to the rulers would simply sweep rich Aden into the arms of the Arab Rob Roys. The commission's secretary, Mr Oliver Myles from the British embassy in Amman, is still expected to arrive later this month but it is difficult to see what he can do at this point.

Possibly one of the most significant developments of all was the departure on Thursday of Mr Asnag to Cairo to attend the Egyptian revolutionary celebrations on July 23rd. The recent coolness between Mr Asnag and Cairo is clearly forgotten. The People's Socialist party leader had previously made it clear in an interview with your correspondent that although he was still willing to meet Mr Greenwood either here or in London, provided a specific programme of constitutional advance could be agreed on, he saw little further point in trying to free the colonial secretary from the common British delusion that the ruler of Beihan and other highland chiefs represented the " real Arabia." Mr Asnag, whose reputation for reasonableness has been enhanced by the recent successful mediation of his Aden Trades Union council in the disputes between Shell and local labour, insisted in this interview that the United Nations resolution in 1963 (which calls for a federal referendum on a common roll and elections under impartial supervision) must form the basis of any future talks. He added for good measure that local British and colonial office opposition to the resolution was now absurd since even the tribal rulers are now prepared to support it—although doubtless for reasons of their own.

Mr Mackawee : as tough as he sounds

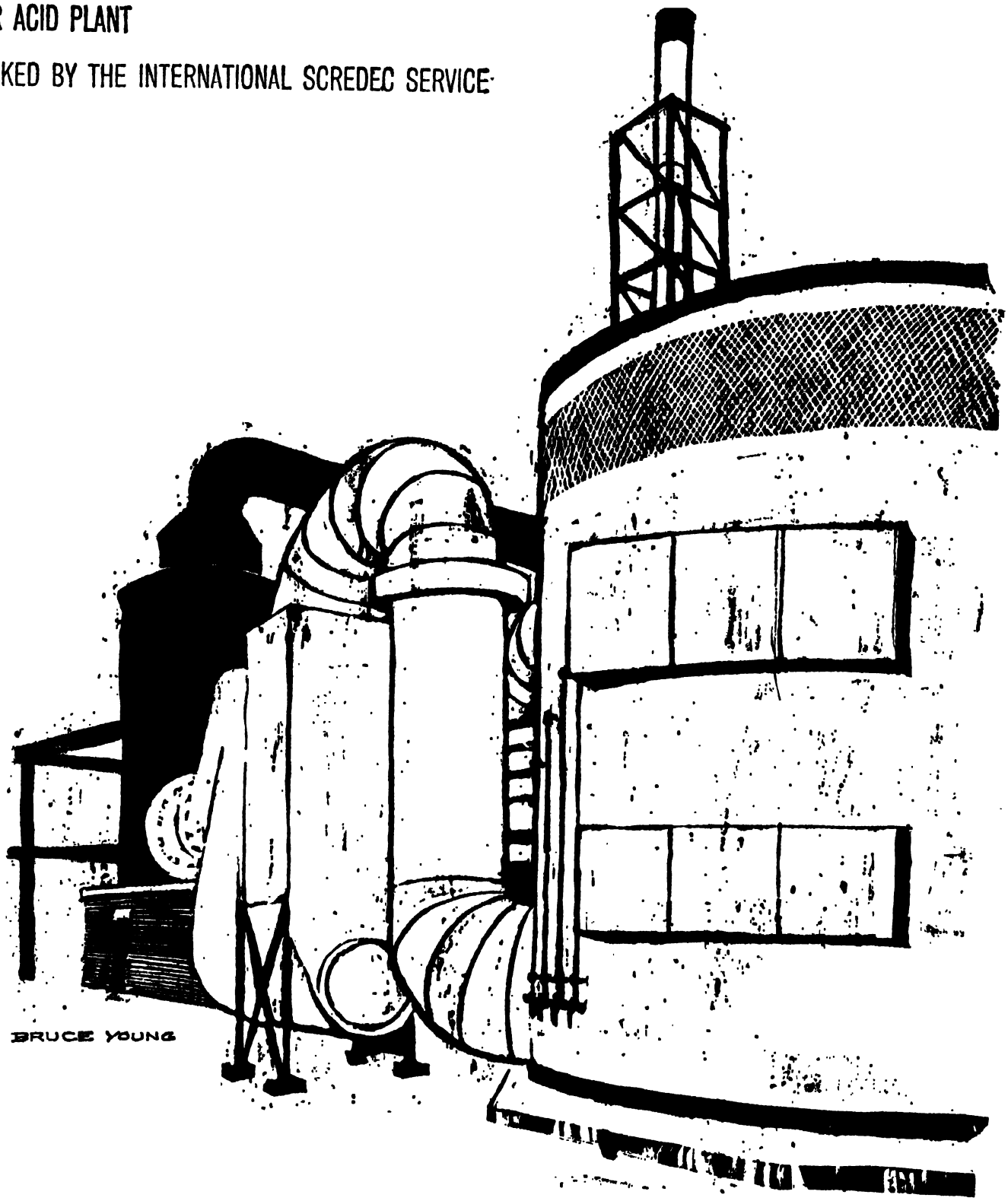
Mr Asnag said that he saw the whole tide of events swimming against the British. The militant " national liberation front " looks as if it might crack the stalemate by passing from sporadic to systematic murder. The NLF is a proscribed organisation with its headquarters at Taiz in Yemen and is said to be directed by Qahtan al-Shaabi, a loyal man of Egypt. Since the recent murder of senior members of the Aden police special branch, British intelligence officials have been working hard but they will admit privately to not knowing who, in fact, directs the NLF. The organisation is evidently effective enough (as another Stern gang or Eoka group) to command the respect of a man as moderate as Mr Asnag. It seems to him to be the one force that might bring the colonial administration and the Labour government to heel.

Some of the local British reaction to these sanguinary possibilities reminds one alarmingly of Palestine and Cyprus before murder became commonplace. This is not so much in the proscribing of political meetings—which has been done for years—but in the support for tribal leaders as " good chaps " and Britain's loyal allies coupled with a detestation of Aden's politicians and all their works. This attitude is one which the enlightened high commissioner, and the commander-in-chief, Sir Charles Harington (who is more concerned in improving communications in the federation than in shooting down dissidents) seem unable to prevent.

The equivalent of nine battalions of British and federal troops, plus growing RAF support, is needed to keep the tribal rulers in power. The punitive methods these rulers employ disgust the British troops serving in tribal areas and their views are shared, even if as yet rarely expressed, by Arab commanders and officers of the federal regular army. This army, like most armies in the Middle East is officered by middle class men ; in the words of one British officer serving with them, they " are all good Labour party voters." The army is one of the forces in the situation which the British government has so far neglected. Yet the possibility of an army coup certainly causes the tribal rulers some uneasy moments.

FOR ACID PLANT

BACKED BY THE INTERNATIONAL SCREDEC SERVICE



SCREDEC
SERVICE

SIMON-CARVES

SIMON-CARVES LTD STOCKPORT ENGLAND and at Calcutta Johannesburg Sydney Toronto

MEMBER COMPANY
SIMON ENGINEERING LTD

RUSSIA

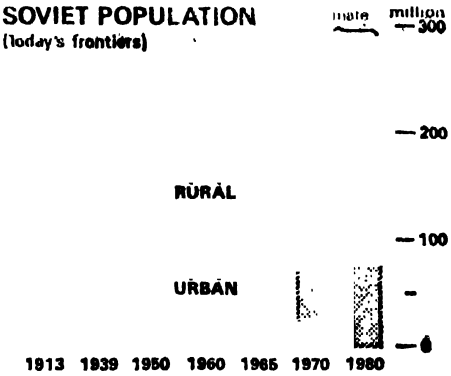
Muzhiks come to town

IN RUSSIA there are still two nations. In spite of the tractor, the harvester and the collective farm, the peasant still has something of the appearance and outlook of the nineteenth century *muzhik*. The townsman belongs to a different world. Or, more accurately, the young men born and educated in the towns do; their parents still look rather like peasants dressed up in city clothes. These peasants turned townsmen illustrate the striking shift in the Soviet Union's population balance. Some 122 million Soviet town-dwellers now account for 53 per cent of the population; by the end of the 1970s more than two-thirds of the population will be living in the towns.

When Stalin came to power, 25 million Russians lived in the towns; when he died there were 80 million. Within a quarter of a century, and in spite of the terrible losses of the war, the urban population had more than trebled. The social consequences of this have been tremendous. For there was nothing to cushion the shock of the newcomer arriving in the towns.

When a Russian, Ukrainian or Uzbek moved from the country to the town he had so much to learn. It was not just a question of learning to clock in and out at regular times. He had to get used to new surroundings, to different (and admittedly overcrowded) lodgings, to strange habits. He had to learn how to spend his money on something else besides food and vodka. In short, he had to adapt himself to an entirely new way of life, and with very little help from anyone.

The shift to the towns, which was begun in Russia at the time of the mass collectivisation in the 1920s, was repeated throughout most of eastern Europe after the last war. The Polish town of Nowa Huta near Krakow is an extreme example. This large steel town was built out of nothing almost entirely by immigrants from the countryside. Those who lived through its first "heroic" years will tell you tales worthy of any frontier epic. They will add that



trouble was inevitable when so many young men were lumped together without any clear authority. The people of Nowa Huta may have had an exceptionally bad start, but similar uprooted countrymen were, and still are, to be found in the suburbs of Budapest and Warsaw, Alma Ata and Vladivostok.

In Russia, migration to the towns went on during the war, outnumbering the tragic war casualties. It was only the rural population that declined; for many years after the war it was quite common to find villages with hardly any able-bodied men.

The advance of the German armies made it necessary to expand industry eastwards beyond the Urals. This trend continued after the war as geological surveys revealed the potential wealth of Siberia and Kazakhstan. Economic and strategic considerations combined to encourage the shift to the east. The Kazakh republic now has twice as many people as it had in 1939. Towns like Kuybyshev, Sverdlovsk and Chelyabinsk will soon have more than a million inhabitants each. (Russian townsmen tend to live in large towns: sixty million of them live in towns of more than 100,000 people; thirty million in cities of more than 500,000 people.)

This massive influx into the towns left its mark on Russia's political life. In order to control the uprooted peasants and force them to work, an iron system was evolved with the help of crude incentives, stakhanovism, labour cards and labour camps. The newcomers were difficult to fit into the productive machine; they were also politically apathetic. They had neither the revolutionary fire of their Russian elders nor the bargaining habits of western trade unionists. In a sense, they provided some justification for the development of the stalinist system; they also offered little resistance to it.

The situation is now different. Half the growth in the urban population is now the result of natural increase. The migrants who still come from the countryside every year are a relatively small addition to a large population that has grown accustomed to living in a town.

But two major problems still exist. One is the acute housing shortage. Here the Russians are paying the price for a quarter of a century of industrialisation without any corresponding investment in building. Serious efforts to relieve the shortage began only ten years ago. On a journey, say from Leningrad to Tashkent, one is struck by the amount of building going on. The new prefabricated houses—there is no more stalinist byzantine-gothic—are not impressive architecturally, and could turn rapidly into slums. But the emphasis on haste is understandable. After years of appalling overcrowding, the dream of every Russian town dweller is to have a key to his own flatlet, with a kitchen that does not have to be shared.

The second problem is how to feed the growing towns when the agricultural labour force is declining. At present, a third of Russia's total manpower works on the land. By the late 1970s, when (if present trends continue) less than a third of the population will live in the countryside, the actual number of farmers will drop to less than a fifth of the total labour force. American, and French, experience shows that it is perfectly possible to maintain this sort of proportion and still be saddled with food surpluses. But before the Russians reach this stage, they will have to carry out the agricultural counterpart of their industrial revolution.

The main consequence of this new urban Russia may prove to be political. In the old days, the uprooted peasants were too inarticulate to do more than put up with stalinism. Their sons will try to press for a different kind of society. The force of this will be felt when the new working class begins to take the existing democratic machinery—with its trades unions, elections and all—at its face value and asks for a share in the management of the economy. This day may be closer than anybody, including the Russian leadership, thinks.

EIU Quarterly Economic Review

PHILIPPINES AND FORMOSA

The Philippines Congress continues to hold up important measures, while waiting for the presidential election. The Review analyses the effect this has on an already depressed economy in the light of a poor outlook for exports and continuing business difficulties.

Details and subscription rates from:
THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St James's Place London SW1
HYDe Park 6711 ext 27
60 East 42nd Street New York NY 10017
Murray Hill 7-6860
Conrad Geeslin P.O. Box 1451
Manila 3 94 42/3 34 24

ITALY

The Trabucchi affair

FROM OUR ROME CORRESPONDENT

SENATOR TRABUCCHI, the former Christian Democrat finance minister, will not have to appear before the constitutional court on a charge of overstepping his powers. Nor will he have to answer the more damaging charges of peculation and favouritism. A joint session of the Italian parliament debated his case for five days, but on Tuesday failed to reach the quorum of 476 votes required to send him for trial. The outcome is not entirely happy for the senator since the votes against him were 461 with 440 in his favour. But parliament has formally cleared him of the suspicion (more prevalent among the public than in parliament) that he had acted for private gain in the affair of the tobacco concessions.

Although on a less tragic scale than the case of Professor Ippolito, the former secretary-general of the national atomic energy council, who was sent to prison last year on embezzlement and other charges, the Trabucchi affair is an equally significant example of the state of the conflict between ministers and civil servants, and between the law and the politicians. The root of the evil seems to lie in the lack of any clear definition of the areas of responsibility within the administration; this is aggravated by the desperate efforts of the magistracy to make a growing industrial community conform to the narrow legal pattern bequeathed to modern Italy by the old Piedmontese state.

The charges against Senator Trabucchi were drawn up by the same procurator general (Judge Giannantonio) who opened the Ippolito case. On the basis of information supplied in part by permanent officials and by customs officers, the judge opined that Senator Trabucchi had exceeded his powers when minister of finance by giving two private companies a five-year contract to grow tobacco in Mexico and sell it to the Italian state tobacco monopoly. The companies belonged to a wealthy and influential Christian Democrat magnate, Carmine de Martino, who has since died. In two years their profits amounted to 780 million lire and the prosecution claimed that the state could have saved a large part of this sum if it had bought the tobacco from foreign growers at the market price.

In his defence to parliament Senator Trabucchi admitted that he had acted against the advice of his officials but claimed that he had done so in order to save Italian tobacco workers from unemployment since the national tobacco crop had been destroyed by a parasite. It was for this purpose, he told parliament, that he had decided to override the legal objections of his advisers and "fill a lacuna in the law." (Using a similar argument, the unhappy Professor Ippolito claimed to have overstepped the law in the higher interests of Italy's nuclear development.)

Senator Trabucchi's political opponents, particularly on the extreme left, assumed that his motive had been, not personal gain, but the desire to oblige an important member of his party. The Communists, in fact, hinted that some of the money from the tobacco contracts had ended up in the Christian Democrat party coffers. But the fundamental argument raised by the Liberals, Socialists and Radicals was that the senator had followed a pattern of behaviour typical of certain Catholic politicians who assume that the end justifies the means and confuse party interests with those of the state. In defence of Senator Trabucchi, the Christian Democrats closed their ranks and put up some impassioned oratory. Although the voting was free (and secret) and parliament was acting not as a political assembly but as a tribunal, the political aspect of the case was uppermost; it has driven yet another wedge between the Catholics and the lay parties in the centre-left coalition.

MALAYSIA

Strikes forbidden

FROM OUR EXPELLED CORRESPONDENT

ONE of Tunku Abdul Rahman's problems has been to find a middle path between the needs of an underdeveloped agricultural country and the demands of a modern, well organised trade union movement bent on getting high wages for its members. For months, the Malaysian prime minister has been warning the trade unions that they must be more temperate in their demands: in May, on the eve of a nationwide strike in the civil service and in the tin mining industry, the government passed a law banning all strike action in essential industries and services. "For labour the clock has been set back a hundred years," declared protesting trade unionists.

The government's ground for taking this action is that Malaysia cannot afford trade union extravagance at a time when the country is facing the external threat of Indonesian aggression. But there is a deeper reason for the antagonism that has grown up between the central government and the unions. The government, concerned to develop the backward rural economy, feels that the trade unions, representing a specialised, urban, literate section of workers (many of them in government service) have become a pressure group demanding an unfair chunk of the nation's wealth. Although the trade unions are, in fact, performing no more than their traditional function in reaching for (in the Tunku's words) "more pay, more privileges and better conditions of service," the government views them with hostility as a menace to the country's development and to the equable division of wealth.

British trade unionists have long had a brotherly interest in the Malaysian trade union movement (as British capitalists could be said to have a fatherly interest in Malaysia's economy) since, by precept and encouragement, they were largely responsible for the development of the unions after the second world war. In the early years there was a harsh struggle for the leadership of the unions between the Malayan Communist party and the democratic unionists (advised by Mr John Brazier, a tough engine driver from the British National Union of Railwaymen). The unions were battered by this conflict but, after independence in 1957, communist influence faded away and the trade union movement no longer constituted a political threat. But the good relations that until fairly recently existed between the government and the unions have now been destroyed.

The new law against strikes will not, apparently, apply in Singapore which, under the Malaysian constitution, has a large measure of labour law autonomy. Under liberal legislation, the principle of collective bargaining has worked well in Singapore, and labour-management relations are now mostly harmonious. At the beginning of this year, Dr Goh Keng Swee, Singapore's minister for finance, established a state economic consultative council, which represents all sides in industrial questions. Employers and unionists have committed themselves, at least in theory, to "endeavour to conclude long-term collective agreements of up to three years on the basis of fairness and justice." Strikes can, and do, still occur. But they are on a small scale; they no longer hold the economy to ransom, nor are they of any political significance.

In Kuala Lumpur, it has become urgent that the central government should find its way back to better terms with the organised labour movement. Government leaders claim that they have not abolished the workers' right to protest since an arbitration court has been set up in Kuala Lumpur, and will see that labour gets a fair deal. But the members of this court were appointed by the minister for labour without consultation with the unions: they consist of professional men (mainly lawyers) presided over by the former speaker of the Singapore legislative assembly. The government has also set up a salaries commission for the civil service. But none of the unions are satisfied.

Unfortunately, the central government's record over labour matters is not as good as it might be. There have been cases of the government going back on its word, of prolonged negotiation, of promises to "look into" complaints coming to nothing. All this, together with the new law, is breeding serious discontent.

Inherent in this problem, as in all Malaysian problems, is the delicate racial factor. Few Malays are members of the trade unions: on the other hand, a large part of the government's clerical staff and most industrial workers are non-Malays. Unless the gulf between the central government and the unions can be bridged, racist troublemakers will almost certainly widen the rift.

IRAN

Troubles of those who oppose

BY A CORRESPONDENT

WITHOUT an effective political outlet, the opposition in Iran is tending more and more to make itself felt through isolated acts, or attempted acts, of terrorism. In April, there was the "plot" to assassinate the Shah; in January, the prime minister, Mr Mansour, was assassinated, allegedly by a small fanatical religious group known as the Fedaiyan Islam. In the south of Iran, there are reports of tribal rebellion: this is believed to be similar to the revolt that was put down by the army three years ago but on a larger and more guerrilla-like scale.

Where does the National Front fit into this uneasy, and sometimes violent scene? Only a short time ago the front, though not legally authorised, was by far the most important opposition group in Iran. Now, for more than a year, it has been quiescent. True, most of its leaders are in prison, under house arrest or in exile, but there is nothing very new in this. A more likely explanation of the front's apparent silence may be the fierce internal battle that has been going on about the way it should be organised and the strategy it should adopt.

The core of the dispute is whether the front should continue to be a loosely organised coalition of parties or whether it should develop into a much more tight-knit group with no party divisions. The latter step was urged particularly by members of the National Front living in Europe, many of them young intellectuals, and some of them exiles from their own country.

About a year ago, the quarrel over this question of organisation reached such a hopeless impasse that Dr Mossadegh, who at 86 is still the front's titular leader, was called upon to take action from his house arrest at Ahmad-Abad. He tried to arrange a compromise by asking Mr Saleh, who leads the faction favouring a tight group, to form a new executive council in Teheran—but on the basis of a coalition of parties. Not surprisingly, Mr Saleh refused, excusing himself politely on the grounds of ill-health.

The next stage was that the European-based members of the National Front again got in touch with Dr Mossadegh and tried, with rather greater success to convert him to the non-party point of view. In the end yet another compromise was attempted: the front's organisation inside Iran remains loose but in Europe and in America it has become integrated. One result of this is that organisations outside Iran have been able to get ahead and formulate a programme; in Teheran the front has not been able to agree on a policy that could stand up to the Shah's own programme for social and economic reform.

All the nationalist parties are represented in the front's council except for Mr Saleh's Iran party. The strongest party on the council appears to be the Iran Freedom Movement, a party with a strong religious, anti-communist element. The movement's leader, Dr Bazergan, is at present serving a ten-year sentence for alleged activities against the regime; his supporters make much of the fact that he is in prison, while Mr Saleh is only under house arrest. Outsiders, particularly Americans, who formerly looked on Mr Saleh as the nationalist opposition leader, are now turning their attention to Dr Bazergan. But the Iran Freedom Movement, while it has a strong popular following, lacks the organisation and the executive cadres to build up an effective opposition movement.

While the National Front is disrupted by this domestic battle, small new opposition groups are getting together in Teheran. The most recent of these is the "Committee of Promoters of a Republic." This is led by Mr Ahmad Aramesh, an experienced and pro-western politician, who, in the past, was a strong supporter of the monarchy. It is significant that it is his party that has now issued a declaration charging the Shah with breaching the constitution, and calling for the establishment of a republic. Except for the Tudeh (communist) party, this is the first time that an Iranian political group has come out boldly in favour of a republic. Despite the Shah's efforts to introduce reforms, it may signify a change of mood in the country.

URUGUAY

No time for debate

FROM A CORRESPONDENT IN MONTEVIDEO

SOMETHING will have to give in Uruguay soon. On July 15th, the president of the national council, Señor Washington Beltrán, declared in a broadcast that the country's treasury was exhausted and hinted at his own resignation. Civil servants are clamouring for their arrears of pay and threatening to strike if they do not get them. The finance minister is urgently trying to get parliamentary permission to print more money. The country's foreign debt (normally at a level of around $150 million) is thought to be about $605 million at the moment.

The fact that senior officials of the Banco de la República (the state bank) do not know precisely how much money Uruguay owes abroad is just one sign of the financial and banking anarchy that has been tearing this usually tranquil country apart. It is a sequel to the alarming series of frauds that were recently discovered to be going on in a number of private banking and commercial enterprises, in league with certain officials at the state bank. Several directors of these enterprises are now in prison, and police officials are auditing the books of both state and private banks.

With more money going out than coming in, Uruguay's financial situation has been steadily deteriorating. But the upheavals caused by these frauds (the bankruptcy of one bank alone affected 170,000 families out of a total population of two and a half million) has shaken the country to its roots. Amid the threats of strikes, in industry and commerce as well as in the public service, there are constant rumours of a possible military coup d'état.

An alternative, and more peaceful, way out of the present chaos might be to change the constitution so that Uruguay had a single, authoritative head of state instead of the present nine-member council with its rotating presidency. This system was established in 1951 and constitutional reform would need a referendum vote in its favour; possibly a referendum could be held at the same time as next year's general elections. Certainly a system of one president, directly responsible for his actions to congress, would be more agile than the nine-men debating club that now tries to run the country.

The national council seems to some critics to be little more effective than a third chamber, adding its number to the senate and house of representatives. In the national council, the Blanco party is in the majority; in congress, the Colorado party. But the two parties fight almost as much within themselves as they fight each other. The interminable squabbling over details that goes on in the national council is a bar to quick decision. And if ever a strong, decisive hand were needed, it is needed now.

BP VISITS KING'S LYNN

MUSIC POETRY
DRAMA FILMS
EXHIBITION

Archetypal old King's Lynn, dressed for an evening out—yet characteristically bucolic. Viewed here by Bernard Blatch, TV graphic designer.

BP Festivals Series—No. 20

The 15th King's Lynn Festival, July 17th—24th. Artists include Sir John Barbirolli and the Hallé, Yehudi Menuhin, Emlyn Williams, Rostropovich. For programme, tickets, details on accommodation: The Box Office Manager, Festival Office, King's Lynn, Norfolk.

BP FOR THE CAR IN YOUR LIFE AND LIFE IN YOUR CAR

about flying you head and shoulders above the rest

There are two new stars in the sky. The VC10 and the Super VC10. You can tell them a mile off. Or 40,000 feet up. They're head and shoulders above the rest.

The Super VC10 is the world's most powerful civil aircraft. That's no boast. That's fact. It has four, mighty Rolls-Royce jet engines to prove it. It's off the ground 25% faster. Lands 20 m.p.h. slower. But that's not all. The VC10 is swift, silent, serene. Swift because of those engines. Silent because the engines are at the back, so all the noise gets left behind. Serene because each seat is a miracle of design. A leg-stretching, back-resting, armchair of a seat.

You'll see the VC10 in Africa, the Middle East and the Far East. The Super VC10 flies the Atlantic and is frequently seen shining over the Caribbean. Both aircraft are winning themselves a top-flight reputation wherever they go—world-wide's the limit.

BOAC TAKES GOOD CARE OF YOU **BOAC VC10**

THE WORLD □ AMERICAN SURVEY

What It Takes in Vietnam

WASHINGTON, DC

"THE tide is turning in our favour," said General Wheeler, now chairman of the Joint Chiefs of Staff, reporting on Vietnam in February, 1963. The powerful American team that has just completed the latest tour of inspection has many past words to eat. Seven months later it was Mr McNamara, the Secretary of Defence, and General Maxwell Taylor, then chairman of the Chiefs of Staff and now the outgoing Ambassador in Saigon, who decided that the time had come to make a start on the withdrawal of American troops, to be substantially completed by the end of 1965. American military strength in Vietnam has risen since 1963 from 15,500 to something over 72,000. This has not prevented the state of the campaign from deteriorating. The bombing of North Vietnam has failed to restore the balance. President Johnson said on July 9th that "we expect that it will get worse before it gets better" and four days later he talked of "new and serious decisions" to follow Mr McNamara's latest mission to Saigon.

Before he set off last week Mr McNamara elaborated a little on President Johnson's hint of an expansion of the armed forces to meet the expected drain. It was reasonable to assume, said the Secretary of Defence, that, if more men were to be sent to south east Asia, it would be necessary to consider calling up members of the Reserve and National Guard (the American territorials), as well as more conscripts, and extending tours of duty for men already in the forces. In that case there would also be additions to the defence budget. This had begun to shrink under the impact of Mr McNamara's efforts to cut out waste and rationalise procurement. He completed the fiscal year which ended on June 30th with expenditure, at $47.5 billion, nearly $4 billion less than in the previous year. But he let it be understood that the further economies which he had in prospect were going to be more than swallowed up by a massive increase in the military effort in Vietnam.

Hard figures of the extent of the probable call-up, and of the scale of the new spending that has become certain, will not be released until the President approves the message telling Congress what he needs. Plainly Mr Johnson is concerned to manage Congress with care. He will get its support. But he wants the largest possible majority behind him and there are groups on either side to be persuaded or conciliated. To those Democrats and the few liberal Republicans who would like to see evidence of a willingness to negotiate with somebody, or who feel that the United Nations should not be kept out of things, or who fear the extension of the war into North Vietnam or Laos or China, he can produce a lengthening list of instances of the intransigent mood of the Asian communists, which makes it hard to predict success for conciliation in any form at present. From the Republicans of the right and centre he has to face criticisms that are conflicting but more articulate. The Republican leaders in the House of Representatives have been urging that, if the Administration is willing to send large numbers of men to fight in Vietnam, it ought not to shrink from a more ruthless bombing policy against the North. In this the leader of the minority in the Senate, Mr Dirksen, has refused to join them, maintaining that "we (the Republican leaders) are not trying to run the war." But they have been able to agree in imputing to the Administration a craven desire for a negotiated peace which, they imply, would be unworthy of the military effort that is being mounted.

Thus the form of the President's approach to Congress and to the nation is important. The service staffs are making plans for the first expansion of military manpower since the Berlin crisis of 1961. The two Reserve divisions called up then were released after about a year, but the regular Army kept its increased establishment. It now has some sixteen operational divisions, but five are in Germany and are not to be drawn upon. With roughly three divisions tied up in Korea and Vietnam, about eight Army divisions remain in the strategic reserve. The Marine Corps, which now has 24,400 men in Vietnam to the Army's 33,000, is separate and additional. The point has been reached where any further units drawn off for the campaign in Vietnam must be replaced with new manpower.

Mere numbers can be provided simply enough. The Selective Service System calls up month by month whatever number of young men the Defence Department requests. Uninfluenced by the demands of Vietnam, the July draft is 17,100 and the one for August 16,500. All these go into the Army, since the Navy, Air Force, and Marines have been kept up to strength with volunteers. It seems certain that the Army will ask for a bigger call-up and probable that the other services will ask for conscripts as part of a quick all-round expansion of the armed forces. This suggests a sharp increase in the draft. To fill the gap while these new young men are being trained and absorbed into units, National Guard divisions and Reserve units can be called up for active service. Weekly and yearly exercises keep them in a partly-trained state, so that they would be ready for use sooner than the conscripts. To hold the fort until the reservists arrive, the terms of men already serving but due soon to be released can be extended. Mr McNamara's statement before he left indicated that he was thinking of all three of these measures, as is logical, and his remarks in Vietnam did not suggest any change of mind.

Two possibilities which have been mentioned, and which are not inconsistent with each other, have been an increase of the strength in Vietnam by 90,000 men in the next three months and by 105,000 or 110,000 by the end of the year. But the numbers of men, and the quantities of equipment, that go to Vietnam will be determined by the course of events. Some of the extra troops are on the move already and there are signs of the expansion of procurement that all this implies. To put anything like 90,000 additional American troops in the field within three or four months, in a condition to perform the elusive tasks that await them in a war of subversion, will require a huge engineering and logistical effort.

This is not a matter of flinging troops into a battle line. One conspicuous project is the huge port being constructed by Army and Navy engineers at Camranh Bay, a superb natural harbour some 220 miles north-east of Saigon. Airfields, camps, roads, workshops, ferries, lighters, service and storage facilities are all needed. Mr McNamara mentioned that he had ordered increases of 60 per cent and 100 per cent in the production of two types of helicopter. The Air Force, increasingly closely engaged, will need more aircraft, more ammunition, more communications and control equipment and a bigger maintenance establishment. The Navy has begun to consider ordering new supply ships and is taking old ones out of mothballs.

One by-product of these needs may be an easing of the path of the British government and British firms in their search for American defence orders. A British official mission has been in Washington this week in return for the big British contracts for American military aircraft. In deference to congressional grumbling at the notion of procuring from Britain things that American industry could supply, little is being said of specific kinds of equipment and very little indeed about ships. But if it is to sustain a massive land campaign in Vietnam, the United States Navy is obviously going to need more supply ships than, a few months ago, it expected to need; some of the old ships from the second World War that may have to be brought back into service will need extensive modernisation or conversion. Evidently large orders are in the wind for shipyards, big enough perhaps to disarm the automatic complaints from Congressmen whose constituents feel neglected. The same may be true of other procurement.

Most likely the American military commitment in Vietnam will exceed in the end any of the estimates now being bandied about. The difficulties—physical, psychological and political—of campaigning there are such that it is hard to set any particular limit on what may be needed to accomplish what the United States is setting out to do. Basically the Administration feels that its credit in the world as an ally and protector is at issue in Vietnam, that the communists are very close to winning and that it cannot allow them to win, whatever the cost. The effort now being planned is an effort to restore the situation within the present rules—that is, without using air power to destroy the centres of population or the economy of North Vietnam, without carrying the land campaign north and without attacking China so long as China does not intervene directly.

Within these general limits, there are different opinions about the strategic doctrine to be applied. Evidently there is to be a string of American base areas or strong points spaced along the South Vietnamese coast, adequately engineered and manned, relying securely on supply by sea with air transport as a supplement. One doctrine sees the perimeters of these base areas being pushed gradually outward until eventually the whole country, or the main centres of population, are secured. Others think this is too rigid and not realistic; they see mobile forces sallying out from their bases to fight wherever the Vietcong show themselves in sufficient strength. This seems to be closer to what will really happen. A static campaign behind fixed lines would not fit the national temperament or correspond to American military habit. But any plan will perforce be modified in action. All that is certain is that it will cost a lot and take a long time.

Goldberg Variations

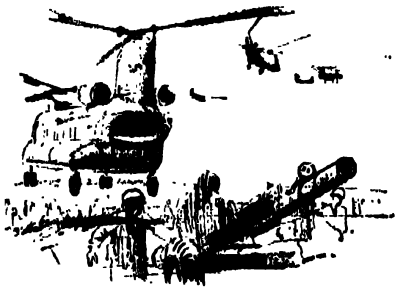
ASTONISHMENT verging on awe was the first reaction to the appointment of Justice Arthur Goldberg as the new United States Ambassador at the United Nations. It was a Johnsonian stroke of rare proportions—totally surprising, dramatic, shrewd. The President had made a choice that emphasised the American commitment to the United Nations. He had picked as Adlai Stevenson's successor someone of unquestioned intellectual gifts and vigour, with a progressive outlook, respected on all sides in Congress. He had gained political points with those most suspicious of his devotion to liberalism. The *New York Times*, after an editorial eulogy of Justice Goldberg's "tact, persuasiveness, ingenuity, activism, enthusiasm, pragmatism," concluded that "the more one ponders this selection the more logical, even the more brilliant, it appears."

Cavalry of the Air

FROM A SPECIAL CORRESPONDENT

After three years of planning and testing the Army has begun to create a pioneering unit, the First Cavalry Division (Airmobile). This marks a great surge forward in the use of helicopters and light aircraft for moving men into battle with unprecedented speed over impassable terrain. The division is designed primarily for very rapid surprise movements against enemy guerrillas and light infantry and, in the words of its planners, will "apply decisive firepower and manpower in the most critical area of the battlefield at the most critical time of the battle." The announcement marks one more change-over for the Army's rugged old First Cavalry Division which in a quarter of a century has given up its horses for motorised transport and is now replacing its lorries with aircraft.

Ever since the last war the Army's standard infantry divisions have been



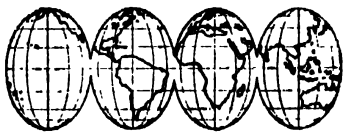
lightened markedly and made more mobile, but their use of air-power has grown slowly, partly because of resistance from the Air Force, but also because the improvement of the helicopter has been a long business. But the advance toward air mobility has been unmistakable. In the last World War a division had ten aircraft, in the Korean War twenty-six, in the post-Korean reorganisation forty-nine and in the next a hundred and one. The new specialised airmobile division, with only half the ground vehicles of a standard division, will have 434 aircraft, mainly helicopters, enough to airlift a third of its 15,700 men at one time.

Although the new division has a valuable contribution to make in the sort of "fringe" warfare which seems likeliest in the years ahead, it could not do nearly as well as the standard infantry division in static defence or in a prolonged fixed combat mission; it lacks armour, medium and heavy artillery and the means of bringing up great tonnages of ammunition and supplies. Hence only one airmobile division is contemplated at present. But experience in Vietnam has shown the helicopter to be far less vulnerable than used to be thought, at least when fighting a relatively unsophisticated foe. Privately, Army planners express a belief that there will be more airmobile units. Although no official announcement has been made, some of the elements lately employed in the tests of the airmobile concept are already in South Vietnam for a realistic testing in combat and the First Cavalry Division is tentatively scheduled to go there in the autumn.

Chicago's State Street, the world's busiest retail trade market place

Our headquarters are in Chicago.

Our operations cover the world.



Where in the world are *you?*

No matter, we're nearby.

Coming from a bank between New York and California, this may surprise you.

But then again, our entire international operation is pretty surprising.

For one thing, we do more international business, and we have more overseas facilities, than any other Midwest bank.

Two branches in London and one each in Tokyo and Osaka. We also have a representative office in Zurich. And, for your convenience, a subsidiary in New York, Continental Bank International. Our activity in foreign exchange trading and short-term investing makes us a major factor in the world money market.

Add to this our 3,100 correspondent banking connections and what have you got?

A bank that can serve you anywhere in the world.

That's the extent of it.

CONTINENTAL BANK

Continental Illinois National Bank and Trust Company of Chicago

231 South La Salle Street, Chicago, Illinois 60690 • Member Federal Deposit Insurance Corporation

©C.I.N.B. 1965

The First National BANK of BOSTON

Incorporated with Limited Liability under the laws of the United States of America

Condensed Statement of Condition

June 30, 1965

ASSETS

Cash and Due from Banks	$632,973,251
United States Government Securities	178,388,356
Federal Funds Sold	8,300,000
State and Municipal Securities	1[illegible],764,765
Other Securities	18,7[illegible],170
Loans and Discounts	
Less: Reserve for Bad Debts [illegible]	1,[illegible],612,151
Direct Lease Financing	[illegible] 632,324
Stock of Federal Reserve Bank	6,300,000
Customers' Liability for Acceptances	42,978,107
Banking Houses	11,011,947
Sundry Assets	12,098,210
TOTAL ASSETS	$2,500,805,211

LIABILITIES

Demand Deposits		$[illegible]
Time Deposits		[illegible],491,[illegible]35
Domestic Funds Borrowed		58,000,000
Federal Funds Purchased		[illegible]50,000
Foreign Funds Borrowed		[illegible]00,000
Acceptances Executed Less Those Held for Investment		[illegible],617
Items in Transit with Overseas Branches		[illegible]09,888
Provision for Interest, Taxes, Expenses, Dividend and Unearned Discount		22,437,348
Sundry Liabilities		[illegible]37,265
Securities and Other Reserves		25,126,480
Capital Accounts:		
Capital (4,000,000 shares, par value $12.50)	$50,000,000	
Surplus	160,000,000	
Undivided Profits	30,270,161	
		[illegible]
TOTAL LIABILITIES		$2,500,805,211

The figures of Old Colony Trust Company, which is beneficially owned by the shareholders of The First National Bank of Boston, are not included in the above statement. The figures of our overseas branches are included in their dollar equivalents.

4 MOORGATE, LONDON, E.C.2.

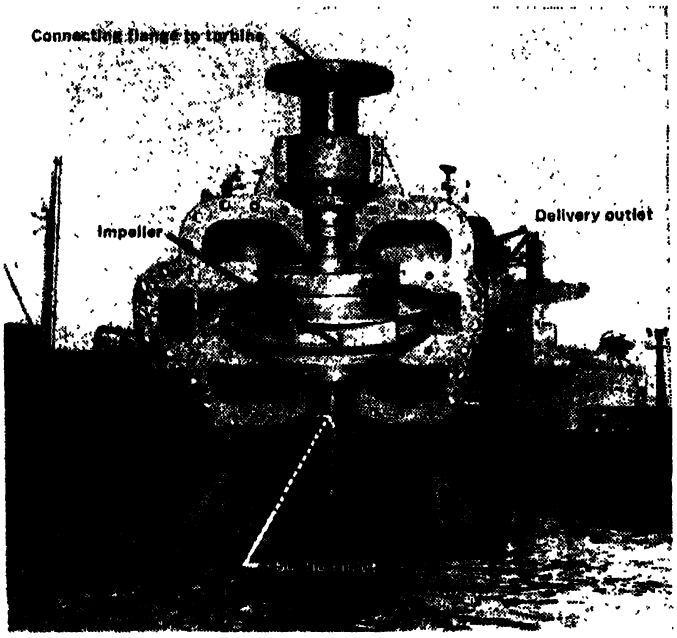
HEAD OFFICE:
67 Milk Street, Boston, Massachusetts U.S.A.
OVERSEAS BRANCHES
ARGENTINA—Buenos Aires, Avellaneda, Rosario
BRAZIL—Rio de Janeiro, Sao Paulo, Santos, Campinas
OFFICES OF EUROPEAN REPRESENTATIVE: London, Paris
BANK OF BOSTON INTERNATIONAL: New York

Member Federal Deposit Insurance Corporation

Another IHI advance in shipbuilding and heavy industry

Number two of a series

New vertical cargo oil pump increases cargo capacity, decreases loading time



IHI has perfected a **Vertical Type Cargo Oil Pump & Turbine** that has many advantages over conventional horizontal types. It occupies 10% less installation space in the pump and engine room, making possible a significant increase in cargo oil tank capacity. With longer cargo oil tanks, load distribution is more uniform, and longitudinal hull strength increased. And by enabling an increase in ballast water tank capacity, loading and unloading of cargo oil is speeded up.

Other important features of this vertical pump are ease of inspection and overhaul, durability and operational efficiency, availability of automatic control equipment, and complete safety assured with foolproof emergency devices.

This is only one example of IHI's engineering leadership, which extends from shipbuilding to a wide range of heavy equipment for practically every major industry of the modern world. 110 years' experience, complete after-service, and the most up-to-date technology back every IHI product. Send for illustrated brochures, indicating your field of interest.

IHI

Ishikawajima-Harima Heavy Industries Co., Ltd. Tokyo, Japan

Cables: IHICO TOKYO Telex: TK 2232

London Office: 69 70 Mark Lane, London E.C. 3 London. Cables: IHICO LONDON
New York, San Francisco, Mexico City, Rio de Janeiro, Sydney, Dusseldorf, Oslo, Johannesburg, Karachi, New Delhi, Calcutta, Singapore, Djakarta, Hong Kong

MAIN PRODUCTS Material Handling Equipment, Iron and Steel Plants Power Plants Chemical Plant Equipment, Cement Plants Ships Prime Movers, Jet Aircraft Engines Compressors Blowers, Agricultural Machinery

The real fascination of the appointment lies in questions deeper than the aspects that brought the quick cheers. Why did Mr Goldberg give up a lifetime position on the most powerful court in the world for a political appointment that is unlikely, to speak frankly, to have much influence on policy? What may be the effect on the Supreme Court? Justice Goldberg said that he had accepted President Johnson's call as a duty because he believed deeply in "the effort to bring the rule of law to govern the relations between sovereign nations." While fully accepting the sincerity of that explanation, there must be more to it than that. Supreme Court Justices have been sought for other jobs before now, but the only recent example of a resignation under similar circumstances was that of Mr James Byrnes in 1942 to become chief of war mobilisation.

When he went on the Court in 1962, there were some who thought that Mr Goldberg would find its work too confining. He had always, as a trade union lawyer and then as Secretary of Labour, loved to poke into public issues remote from his immediate concerns; and he was certainly not used to the silence enjoined on a Justice. On the Court he did show some signs of restiveness: he spoke and wrote rather more freely than most and he took a hand a few times in settling disputes in his old labour field. But he also spoke frankly of his satisfaction in the power to help to mould American society, as Supreme Court Justices do when they interpret the Constitution. And Justice Goldberg's vote was most significant on a closely-divided Court, swinging it toward a more "activist" intervention on behalf of the individual. He was perhaps readier than any other Justice to discard old doctrine if it stood in the way of what seemed a more just result.

In the end Mr Goldberg must have felt the need for a more immediate participation in public affairs. It would not be surprising to see him end up in politics; he would be a formidable candidate for, say, the United States Senate in New York or in his old state, Illinois, and some day there will be a Jewish candidate for Vice President. While recognising the forces that move this restless and dynamic man, some will regret the example of so brief a stay at the Supreme Court. Greatness in that institution has usually required a vestal's long-term dedication to it: the contemporary example is Justice Hugo Black, who in 28 years of single-minded devotion to the Court and its work has had more influence on American life than all but a handful of politicians. It is not a place for the short-winded.

Stimulus on Order

WALL STREET'S renewed weakness this week is blamed on the bad news from Vietnam but it is difficult to understand why the fact that the military build-up there is to be accelerated should seem ominous from the stock market's point of view. No one thinks that the affair in south-east Asia will reach the proportions of a major war or even the proportions that would mean industrial allocations or rationing of civilian supplies. The last time that government controls were needed was during the Korean War; as yet Vietnam is nothing like such a big operation and the American economy is far bigger than it was then, with idle capacity still available in spite of the recent boom. What the build-up in Vietnam should do is to ensure that the boom continues, since government spending is sure to go up. While this makes another round of tax cuts next year less likely than it seemed a little while ago, it also makes such cuts less necessary as a stimulus to keep the expansion going. Supposedly Wall Street's realisation that the rate of growth was beginning to fall off was the underlying cause of the stock market's downward plunge in June. So why is it diving again now?

Moreover, the latest figures show that the rate of growth has, in fact, been sustained for longer than was expected and that optimistic forecasts from the government's experts were justified. In the April-June quarter the increase in the gross national product was almost up to the average for recent quarters—$10 billion at annual rates; admittedly, this was in money, not real, terms and prices have been rising this year. This increase in the national product was achieved without any help from automobile sales, which had been so exceptional in the first quarter that they were bound to fall off in the second. But there was help from inflated exports, making up for the losses in the first quarter from the dock strike; there was help also from continued stockpiling of steel by manufacturers after the postponement of the possible steel strike until September. Such stockpiling was also the main factor in the rise of half a point in the industrial production index in June.

Now, however, adequate reserves seem to have been accumulated and activity in the steel industry is beginning to fall off, as it is in the motor industry where the annual break in output to prepare for new models is due shortly. New orders received by manufacturers as a whole have declined for two months and in June the backlog of unfilled orders at factories dropped for the first time since the end of 1963. (This was the excuse given for the stock market's behaviour this week). But the coming round of military orders should be enough to take up any slack in the economy—provided, of course, that consumers do not lose their nerve.

Bogalusa's Trial

THE non-violence of southern Negroes has been a most striking aspect of the Negro revolution and its greatest mercy. But in Bogalusa, Louisiana, a town of 23,000 people which has been racked by racial strife for six months, non-violence is at a discount. A white man has been shot, allegedly by Negroes, the first time this is believed to have happened in the South. Four other Negroes are in prison on charges of shooting at a carload of whites. Bogalusa is a centre of the Ku Klux Klan and the town's troubles have attracted many white extremists from elsewhere, including the leaders of the National States' Rights party who incited white mobs in St Augustine, Florida, in 1963. Bogalusa is also a centre of the Deacons for Defence and Justice, a Negro group which does not believe in turning the other cheek. Some of the Negroes believed to have been implicated in the shootings are members of it. The national civil rights group sponsoring the demonstrations against discrimination in employment and in restaurants and similar places is the Congress of Racial Equality, which does not altogether share Dr Martin Luther King's objection to violence.

Last week a report to the President spoke of gratifying compliance with the letter, if not the spirit, of last year's Civil Rights Act; in big southern cities hotels, restaurants and theatres accept all comers. But small towns in the deep South are a harder propo-

sition, as the well-intentioned Mayor of Bogalusa, Mr Cutrer, has found. This is a paper-mill town, one-third Negro, but its single big employer, the Crown Zellerbach Corporation, employs fewer than 400 Negroes out of a total work-force of nearly 3,000; there are many poor whites who feel that any Negro advance must be at their expense. Although the city was ordered by a federal judge to protect Negro demonstrators and at one time almost the entire police force of the state was sent in to help, incidents have been unavoidable with Negroes and whites marching and counter-marching—the latter with rebel yells and Confederate flags.

The Negro leaders have turned down an appeal for a 30-day cooling-off period and last week the Mayor appealed to Washington for assistance to "this helpless town so unfairly attacked." There have been federal representatives in Bogalusa for some time and the President has now sent Mr Doar, head of the Civil Rights Division of the Department of Justice, to help. The first fruits of his visit do not suggest, however, that the town has clean hands. Legal action has been started against law enforcement officials for contempt of the court order to protect Negro demonstrators and for violating their civil rights. The Department of Justice has also asked for an injunction against the Klan and other segregationists and brought a suit against restaurants and cinemas for clinging to their colour bars. Louisiana's Governor, who once thought that he could buy off the Negro leaders by offering them state jobs, will have to think again.

Confessions out of Court?

How to protect the rights of individuals without crippling the drive against the rising rate of crime is as controversial a subject as any being debated by Americans. Last week it was the tapping of telephones by federal tax agents which fed the flames. A Senate subcommittee investigating invasions of privacy drew from employees of the Internal Revenue Service the admission that, with the connivance of their superiors in Washington, they had tapped telephones in Pittsburgh. This is forbidden by Pennsylvania law and a spokesman for President Johnson said last week that long ago he had ordered federal employees not to engage in such eavesdropping except with the express permission of the Attorney General and in cases involving the national security. The Pittsburgh cases did not involve ordinary taxpayers but criminals operating on a formidable scale. According to Mr Katzenbach, the Attorney General, investigations by tax men have led to over 60 per cent of the convictions obtained in the Department of Justice's four-year-old drive against organised crime.

The battle against crime is obviously impeded by the Supreme Court decisions giving greater protection to defendants before state criminal courts. Last week Georgia's highest tribunal voiced the feelings of many judges and prosecutors when it accused the Supreme Court of "shaking the foundation of orderly judicial trials." A few weeks earlier the Chief Justice of New Jersey had

Wall Street's One in Ten

For the past decade the number of Americans owning shares in public companies has risen by over one million a year, according to a survey by the New York Stock Exchange; the average annual increase has been over 9 per cent, far greater than the annual increase in population. Over 20 million Americans own shares today, but this is still only about 10 per cent of the population, even though the proportion has risen with each of the triennial censuses which have been taken by the NYSE since 1956. One out of every six adults now holds shares; only one out of sixteen did in 1952 when the first of these censuses was taken.

These 20 million people own stock in 6,724 companies which have 18 billion shares outstanding, valued at $650 billion altogether. Private individuals own nearly two-thirds of these shares; the rest are owned by financial institutions, trust funds, corporations, etc. The average private shareholder owns three or four separate issues. The recent shake-down on Wall Street does not seem likely to check the expansion in the number of shareholders, any more than did the much sharper break in 1962.

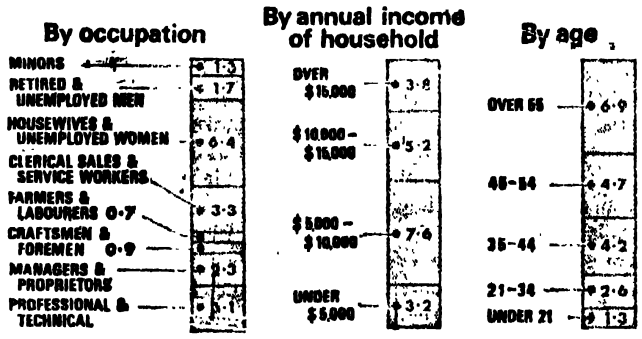
As would be expected, the better-educated a person is, the more likely he is to own shares; 60 per cent of those who have been to college do. But it is rather surprising to find that only 37 per cent of professional and technical workers and only 31 per cent of managers and proprietors are shareholders. The number of labourers owning shares has gone up by almost 50 per cent since 1962. A slightly higher proportion of housewives own shares now than in that year—17 per cent; just over half the shareholders are women.

In 1962 45 per cent of those with incomes over $25,000 a year were shareholders; now 60 per cent of this income group own shares. There has been a small rise in the proportion of shareholders in almost all income groups but in the $15-25,000 one the percentage has fallen from 39 to 30. The Stock Exchange is particularly pleased about the increase in the number of minors who own shares; this has nearly tripled since 1962, partly because changes in state laws have made it easier to give shares to children.

California, with 2,540,000 shareholders, has now more than New York and 13.8 per cent of its inhabitants own shares compared with 13.3 per cent in New York. Connecticut has the highest proportion of shareholders among its residents—18 per cent; Vermont, New Jersey, Delaware, Massachusetts and the District of Columbia all also have higher proportions than California. That state has gained over 500,000 investors since 1962; Texas comes next with an increase of 227,000 and New Jersey, Florida, Michigan and Illinois all added over 150,000 in the three years. Hawaii has only 39,000 shareholders, but this is more than double the number in 1962.

Only 11 per cent of shareholders now live in rural areas compared with 25 per cent in 1952 and 13 per cent in 1962. Matching the general pattern of recent movements of population, the other declining category is that of dwellers in big cities with over 500,000 inhabitants; under 4 million shareholders, less than 20 per cent, now live in such places, while nearly 6 million, almost 30 per cent of the total, live in towns of less than 25,000 people.

AMERICAN SHAREHOLDERS



Figures denote millions of shareowners, excluding from the total 350,000 *shareowners who did not complete the census.*

Source: *Shareownership USA*, New York Stock Exchange.

When you need a bank's assistance for international transactions in California or throughout the United States, call on the specialists at United California Bank. To do a little more for you, we offer all the services of fully staffed International Divisions in Los Angeles and San Francisco and over 170 offices in California. Our affiliation with Western Bancorporation International Bank in New York, experts in many fields and correspondents around the world provide immediate contact with every important world trade center. Wherever you do business, we can provide a wide range of quality banking services specifically tailored to your requirements.

UCB does a little more for you in California, the United States or anywhere around the world

UNITED CALIFORNIA BANK

The bank that does a little more for you

International Division Victor R. Rose, Sr. Vice President and Manager

Los Angeles Headquarters: 600 S. Spring Street • San Francisco Headquarters: 405 Montgomery Street

Capital Funds over $233,000,000 – Resources over $3,000,000,000 • Affiliated with Western Bancorporation and its 22 full service commercial banks in the 11 western states

strength

The Bank of Ceylon is the largest bank in the island, controlling over 50% of the total bank deposits in Ceylon. Enterprising exporters and importers depend upon this strength in their trading relations with Ceylon.

The Bank of Ceylon offers a comprehensive service from up-to-the-minute Business Intelligence Reports and Credit Information, to the financing of exports and imports and conducting every type of foreign exchange transaction.

London Office: 48-54 Moorgate, London, E.C.2. Phone: MONarch 5597-9.

Foreign Dept.: Bank of Ceylon Building, York Street, Colombo 1. Cables: FORBANK Colombo.

Central Office: Bank of Ceylon Building, York Street, Colombo 1. Cables: HEADBANK Colombo.

BANK OF CEYLON

The largest bank in Ceylon with the finest network of local branches

28 BRANCHES AND 4 PAY OFFICES IN CEYLON

Can your distribution system stand the test of time?

If it can't, KLM can save you money!

Time is money. A saying that is particularly true of a distribution system. For example: safety stocks held to cover variations in sales whilst fresh stocks are on order. The longer the lead-time, the larger the safety stock that has to be held, and the higher your inventory carrying costs - a factor which already eats away between 15 and 35 cents of every sales dollar. Shorten the lead-time and you can cut down on stocks, release precious capital for re-investment and reduce other inventory carrying costs. So time is important. And air transportation is the obvious way to save it. Which is why we at KLM have developed the 'Test of Time', a system designed to streamline your distribution system and save you money. More than 100 international companies in Europe and North America have already benefited. Some of them may be your competitors! **For more information write to KLM Freight Department, SPL/MV, Amsterdam International Airport, Holland.**

KLM

ROYAL DUTCH AIRLINES

defiantly ordered all judges in the state to disregard a decision by a federal Court of Appeals until the Supreme Court issues a final ruling. The Appeals Court had reversed two murder convictions from New Jersey on the grounds that the police had taken confessions from the defendants without telling them that they had a right to legal counsel and a right to remain silent. Last year, in the Escobedo case, from Illinois, the Supreme Court itself (with Justice Goldberg writing the decision) reversed a conviction because the police refused to allow the suspect to see his lawyer, who was waiting outside It is easy to see why law enforcement authorities are alarmed: confessions account for about three-quarters of all criminal convictions and if the poor suspect, as well as the rich one, has a lawyer at his elbow, how many confessions will there be?

Now, in the hope of heading off more rigid congressional action, which would be subject to judicial review, the Department of Justice has offered a middle way: a new set of guidelines on questioning suspects for the police of Washington, DC. To be on the safe side officers have not been questioning people under arrest until they have been arraigned. The new procedures allow the police to question suspects for up to three hours—but only after telling them that they need not answer and giving them a chance for legal representation. The author of these guide lines, Professor Vorenberg, is also drafting a set of similar proposals to guide police all over the country.

Trains in the Corridor

A SOBERING thought: it now takes longer to fly from Washington to New York than it did in 1948. Congestion in the air and the airports has added 42 minutes to the average journey. A Senate subcommittee, impressed by this retrogression and by the fact that one way or another 50,000 people travel every day between New York and Washington, has expanded by nearly five times the $20 million requested by President Johnson for an experiment in high-speed transport along the Northeast Corridor from Boston to Washington. What the subcommittee hopes for is a three-year programme of research, costing $90 million, to investigate all the various kinds of surface vehicles which might speed travellers in comfort from city to city. Better trains are basic. If Congress makes the necessary appropriations, the project will begin by improving the Pennsylvania Railroad's New York-to-Washington service, first by cutting the run to three hours and then, when new bridges and trains capable of speeds of 150 miles an hour are ready, to two hours. But as the experiment widens in scope —collecting statistics on travel patterns throughout America and stimulating the design of new vehicles—it could become the first coherent national effort to relieve the choked highways and air lanes which Americans prefer for long-distance travel.

The looming importance of rails in an over-populated future may have softened the federal government's hostility toward the proposed merger of the Pennsylvania and the New York Central railways. The anti-trust division of the Department of Justice has just removed the major obstacle to what would be the biggest merger in the history of American business ; it has told the Interstate Commerce Commission in effect that if the commission decides that the merger is in the public interest, the federal government, although cool to the idea, will not stand in the way. There were some conditions that the government would like to see fulfilled were the merger to be approved—the harshest being that the combined Central-Pennsy company should take over the deficit-ridden passenger services of the New Haven Railroad, one of New York City's chief suburban lines. But neither the government nor the railway companies concerned seemed willing to carry a dispute over these conditions to court.

Even the House of Representatives has seen the urgency of getting motorists out of their cars. It has approved a measure which it rejected a year ago, authorising a partly underground railway system for the District of Columbia. There was strong support from the White House for the 25-mile network which will connect the major centres of the capital with the suburbs. The launching of a Washington subway system is only one of many new plans which have been adopted in the year since the passage of the Urban Mass Transportation Act made $375 million in federal funds available to help cities with their transport nightmares. Atlanta, Philadelphia, Cleveland, New York and Boston are all considering either brand-new underground networks or the improvement of those that they already have. But the country's showpiece (or its scapegoat) for the sleek and shining undergrounds of tomorrow will be in San Francisco, where the new 75-mile Bay Area Rapid Transit network is being built in a billion-dollar gamble that car-happy Californians can be tempted to go to work by train.

Armed Right

FROM A CORRESPONDENT IN SAN FRANCISCO

THE recent discovery near Washington, DC, of the combat training ground of a small private army—a bullet-pocked hideaway of the militant right-wing Minutemen—underlines the connection between the paramilitary units popping into the news with increasing frequency and the ease with which arms can be bought in America. The stockpile of dynamite which state and local officials found in the Virginia woods is reported to be the first cache of the Minutemen's organisation to have been discovered. But large supplies of guns, grenades, explosives and rounds of ammunition have been found in the possession of individuals belonging to the Minutemen, the American Nazi party, the California Rangers and other reactionary groups.

A report on the growth of such organisations has just led the California Legislature to approve a new law to prohibit paramilitary practice with weapons or instruction in sabotage or guerrilla tactics except under government auspices. California, the twenty-fourth state to try to deal with this danger, acted on a report from its Attorney General, Mr Lynch. He estimated that there were from a hundred to six hundred members of the Minutemen in the state, studying the techniques of terrorists in the use of armaments, booby traps, explosives and so on. They are led, he said, by men who have stated publicly that when they think that constitutional government is threatened they consider themselves morally justified in resorting to violence to discourage communists and fellow-travellers.

Among the other groups dealt with in his report was the American Nazi party—" which accepts an alien ideology of hatred and racial superiority." It deliberately creates incidents and thrives on the resulting publicity ; a riot in Los Angeles in 1963 brought in $7,000 in contributions. Its members, Mr Lynch said, are often society's misfits ; of the sixty-five identified in California thirty-one have been arrested at some time and eleven have been in gaol. Potentially more dangerous, in his view, is the National States' Rights party, which is dedicated to " vigorous and direct action." All these groups are tiny ; the creator of the California Rangers—a clergyman who once trained guerrillas in the Philippines for the Army—testified that nobody turned up at its meetings. But there is much interlocking of such groups not only at home but also with foreign sympathisers. According to Mr Lynch, the whole network is of considerable size.

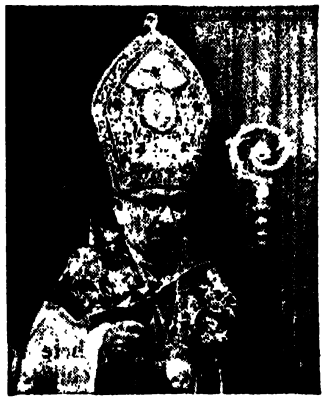
The law which the California Legislature has passed to clip this militant right-wing—and which the Governor has just signed —exempts sportsmen and members of rifle clubs from its ban on the owning of guns and practising with them. Because of this, some members of the Legislature have concluded that it is only a " cream-puff " measure. After all, the manual of the Minutemen urges members to join the National Rifle Association.

sores, but she does not take on all the unskilled nursing tasks shouldered by a daughter. Similarly, a chiropody service is gradually being provided, not because there is no one willing to cut old people's toenails, but because bad feet are now recognised as a frequent and serious disability of old age needing skilled treatment.

Even where the social services provide help with the ordinary business of living, they tend to relieve a hard-pressed family rather than replace it. Less than five per cent of the sample had a home help in to do the housework and only one per cent had a cooked meal from the mobile meals service at least once a week. (Neither of these services is completely free.) By way of contrast, over half of those who had difficulty with the housework, and over 70 per cent of those who had difficulty in cooking, were being helped by a member of the family. Again, the 12 per cent of the sample who received some form of domiciliary service tended, like those in residential care, to have no family, or none within reach, and to be infirm or incapacitated. The family, so far from being undermined, still plays an important part in the welfare state. Clearly, modern housing policies, which tend to break families up, will leave a legacy of distress among the old unless the community services are expanded to fill the gap. As it is, and even with the help given by families, they are seriously deficient when judged by the extent of infirmity and incapacity and very unevenly provided from one area to another.

On the other hand, when it comes to the incomes of the old, the provision made by the state is dominant. As in her earlier survey, Mrs Wedderburn found that for seven out of ten old people their main source of income comes from the state, and about a third of the men and half the women had nothing but this. At the other end of the scale, a large minority (one in five) were comparatively well off. Mrs Wedderburn confirmed that poverty is mainly found among single and widowed women and that income falls as both men and women get really old and can no longer work. In fact, employment is the most valuable source of income outside the state's provision. Although nearly half the men had an employer's pension, the amounts were very small—half of them were less than £2 a week.

The role of national assistance in making up people's incomes is crucial. Yet Mrs Wedderburn found 11 per cent of the sample (between 600,000 and 700,000 in the population) with incomes around the level of eligibility for assistance who were not receiving it. It is not known how many would be given assistance but are reluctant to apply for it, and how many would not be entitled because, for one thing they are living with grown-up families. But between them the authors of the pamphlet have provided plenty of hard facts for the politicians of both parties who are trying to reshape Britain's social services. This is a counter from the left to the self-help policies of the right.



Armenian Schism?

BY OUR ECCLESIASTICAL CORRESPONDENT

THE Armenian Church in Britain is in the throes of a bitter dispute between its spiritual head, Archibishop Bessak Toumayan, and its best known member, Mr Nubar Gulbenkian, with the trustees of the Armenian church of St Sarkis. The church is the only one of its kind in Britain, an exotic eastern edifice, raising its unlikely head in Iverna Gardens, Kensington.

Britain has 4,000 Armenians, part of a world-wide community of over two and a half million, owing spiritual allegiance to the supreme Catholicos, Vazgen I, resident in Soviet Armenia. The Armenians were converted *en masse* to Christianity in the third century and became an autocephalous Eastern Church using the liturgy of St Basil and following the Julian calendar. Some Armenians are in communion with Rome and they have one member of the sacred college, Cardinal Agaganian, born in the same town as Stalin in the Caucasus. Over the centuries the community has suffered many tribulations, the worst being the massacre of one and a half million Armenians by the Turks in 1915.

Archbishop Toumayan has been the rector of St Sarkis for the past 15 years. The church was built by Mr Gulbenkian senior in 1922 as an act of pietas to the memory of his parents, and he himself is buried there. The church is richly endowed—no collections are taken and no charges made for any ministrations—and the Archbishop receives a substantial salary. Last May the trustees dismissed the Archbishop with a solatium of three months stipend stating that they were dissatisfied with the performance of his duties. Their charges against the Archbishop remain vague, but amongst other things they appear to resent the transformation of their protégé from a simple chaplain to one of the leading figures in the Armenian world.

The Archbishop strongly denies that he has neglected anything and maintains that he has been dismissed for political reasons. This year is the fiftieth anniversary of the Armenian massacre and a requiem mass for the victims was held in St Martin-in-the-Fields attended by amongst others the Apostolic Delegate, the Bishop of London, and Mr Nubar Gulbenkian himself. The Archbishop was instructed by the trustees to make no mention of Turkey but merely to refer in general terms to the Middle East. Archbishop Toumayan refused to obey, maintaining that Middle Easterners had always been helpful to Armenians and that the Turks must bear responsibility for what they had done. With Mr Gulbenkian glowering up at him from the front pew the Archbishop mentioned the forbidden word "Turkey" and as a result, he maintains, was summarily dismissed a week later. The Archbishop further points out that Mr Gulbenkian has just acquired Turkish nationality, which has not exactly made him popular with British Armenians.

The legal position is highly complicated. St Sarkis is owned by the trust headed by Mr Gulbenkian, but the land on which it is built is, according to the Archbishop, the property of the community. The Archbishop further maintains that his dismissal is invalid since it has not received the consent of the supreme Catholicos. He has no intention of vacating his rectory when his notice expires on August 3rd. Mr Gulbenkian and his trustees, on the other hand, say the church is really a private chaplaincy and they have a right to terminate the incumbency at any time. The Archbishop can go on with his mission somewhere else.

This alternative has been considered by the Archbishop and his advisers. They claim to have a firm promise of the use of a church from the Church of England (Archbishop Toumayan is the representative of the supreme Catholicos at Lambeth) and ample promises of funds to endow it. Nevertheless the Archbishop will remain at St Sarkis as a matter of principle. Meanwhile he has held an election for a church council in which the vast majority of eligible Armenians voted and returned a council strongly in favour of the Archbishop's stand. The council now demands the resignation of the trustees and the election of a new set by the Armenian community. The trustees, a self-perpetuating body, have ignored the request.

It now looks as if it will be a fight to the finish. As Mr Gulbenkian himself has said, Armenians "love arguing." He himself wishes to "smooth the whole thing over" but how this is to be done remains unclear.

RTB

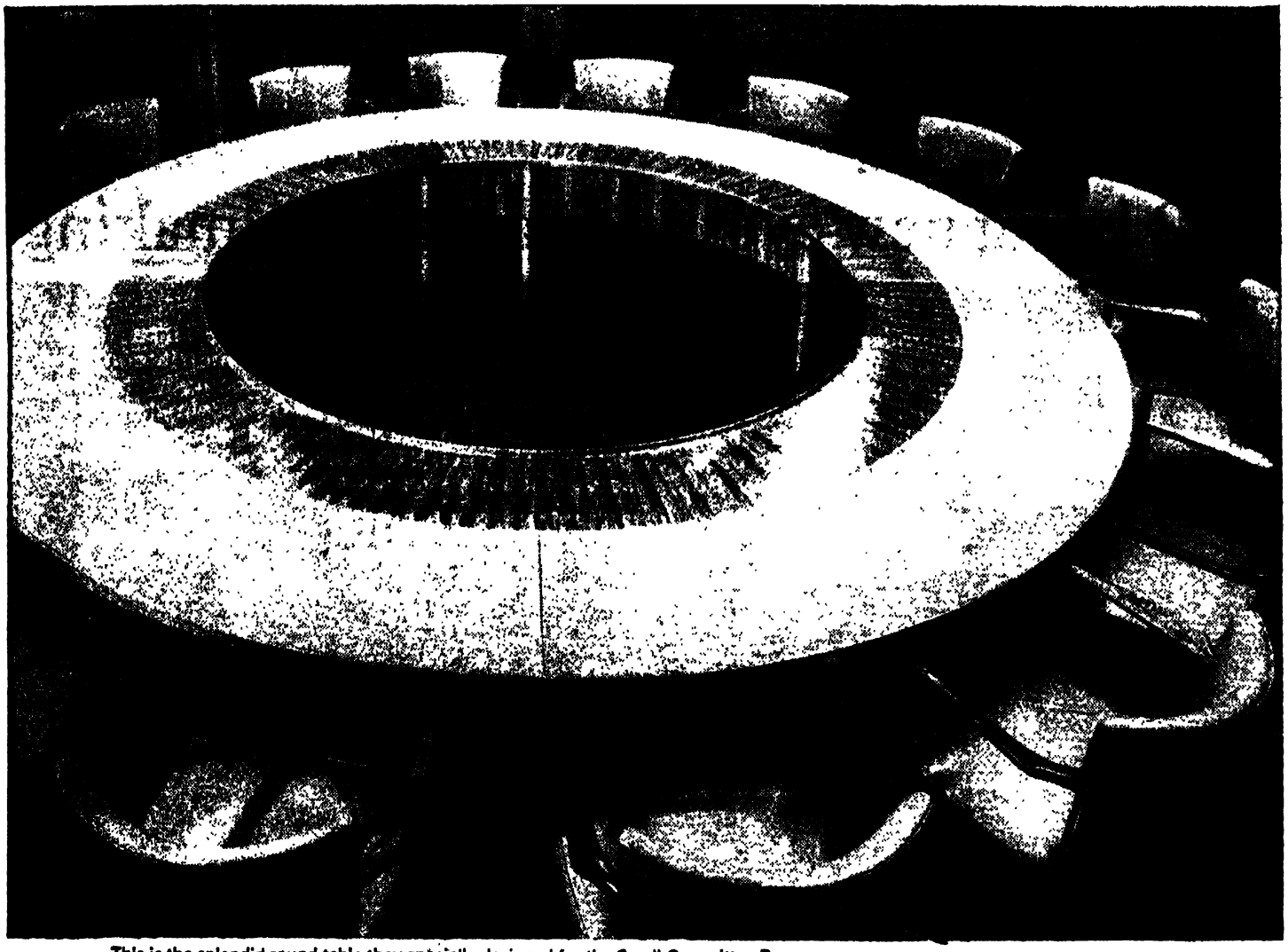
RTB bring new eyes and ears to steelmaking

RTB introduced the LD/AC process into the UK—a new process that employs the most efficient use of oxygen in steelmaking. Oxygen, applied to molten metal, roars like a lion and produces an intense flame. Until recently this had to be watched by eye—and listened to by ear—in order to achieve the right intensity of oxygen flow. But no longer. Within the LD process, RTB have perfected photometric and audiometric control—giving oxygen delivery a new accuracy. To the judgement and experience of the steelmaker RTB have added vital new eyes and ears—for even better RTB steel. RTB research and development serves industry everywhere.

RICHARD THOMAS & BALDWINS LIMITED

RTB HOUSE · 151 GOWER STREET · LONDON WC1 · TELEPHONE EUSTON 9333

Ebbw Vale has every reason to be proud of its new Civic Centre.



This is the splendid round table they specially designed for the Small Committee Room.

Heal's Contracts Ltd., of London designed and fitted the interior of the Council Chamber and furnished the Committee Rooms, Members' Rooms, Chairman's Office and Chief Officers' Rooms.

Heal's Contracts were called in at the planning stage of this new Civic Centre. They worked very closely with the architect to the Council – J. L. Thomas, LRIBA., ARICS. This Centre is a fine example of modern design; wood, hide, glass – the elements in today's way of design – play a large part in the overall appearance. From planning the interior, to putting the last chair in its place, Heal's are the people with the experience. Why not let your secretary send for 'Heal's Book of Interiors' and get an inside look!

HEAL'S CONTRACTS LIMITED

196 Tottenham Court Road, London, W.1 Museum 3399. Shell - BP House, Calthorpe Road, Birmingham 15 Edgbaston 5251

BOOKS

When the Lights were Going Out

Halifax

By the Earl of Birkenhead.

Hamish Hamilton. 639 pages. 63s.

A legendary case of the cultured country gentleman pressed by duty into public office is Edward Grey. Edward Wood might seem to be another. Like Grey, he was at the Foreign Office when the lights were going out all over Europe. For Grey, indeed, peace or war did become his own personal concern and responsibility. For Edward Wood, Lord Halifax, his biographer suggests, foreign affairs never sparked his interest or enthusiasm, his convictions or his ideas. Yet in a sense he was pledged from the start by his extraordinary Catholic-acting, ebulliently if macabrely joking, unremittingly energetic and unendingly devout father to just the public career he nearly had. He was to get a First in History at Oxford and win a Fellowship at All Souls, which he did. Then he was to become Prime Minister, which only Winston Churchill denied him in May, 1940.

Lord Birkenhead has written a good honest book about a good honest man who still baffles judgment. He is as sure as Lord Francis Williams was in his recent book about this country's prewar "rulers" that the appeasement of Hitler and the Munich agreement were a "shameful chapter" and a "great disaster." But he cannot agree that Halifax's honesty was compromised, or his personal piety flawed, by the myopia he shared then with his leaders in office—and, as is salutary to remember, with so many others of every political colour.

G. K. Chesterton once said that tens of thousands of people were going about in the belief that they had read the words of Karl Marx. So even more people have been going about since 1938 in the belief that they were against Munich. Generally it is not true. The real indictment against Lord Halifax and the rest of the peace-seekers then is that they were not leaders but followers. They were, like gentlemen, appallingly ineffective, unalert and unaware. It is, in a world where power rules, a lesson that has to be learned again every generation, even every decade.

Certainly Lord Birkenhead does not spare his hero. Even while he was still sharing life and work at All Souls with his day's hunting, Edward Wood wrote in a little biography of Keble that:

> There are few things more dangerous than the constant anxiety for doing something definite. . . .

When he became an MP in 1910 he found parliamentary politics distastefully turbulent. In the only political pamphlet he ever wrote, suggesting a wide devolution of government, he showed a reasonable detachment wholly unrelated to the "vital facts" of political and economic life. In Parliament, though he came to mistrust the devilry of Lloyd George more in a way than he ever mistrusted (or even conceived of) the devilry of Hitler later on, he was not willing to plot against him. His method throughout his career at Westminster—desultorily at the Board of Education (twice) where "his heart was not in it," more positively at the Ministry of Agriculture where a great landowner had something to say, and again (after his climacteric years in India) in the sinecure offices up to the Foreign Office—was simply to preside cautiously and be loyal "to the views of the majority of his friends and colleagues." In public life he was "a pacifier and adjuster" with "an apparently unquestioning confidence in his position in the world" given him by "his wealth and standing." His private life, which really mattered, was simple, godly and happy.

It all seemed very easy. He was offered and accepted the Governor-Generalship of South Africa before he was forty and before he was even a junior minister, though the South Africans did not take him. He was only 45 when he went as Viceroy to India. It was in India that his grandfather had made a lasting administrative contribution before and after the Mutiny; and it was in India that he made the only mark of his own of all his career. This Indian summer is the piece that has to be fitted into the jigsaw before judgment of him is possible.

On the face of it his mission failed. When he left after five years his project for a peaceful advance—by following up the Simon Commission (boycotted because, by his own wrong choice, it was purely British) with the declaration of intent to move towards dominion status and free-ranging round-table talks—was falling angrily to pieces, with years of conflict to follow. Winston Churchill spoke about his pact with Gandhi as he did about the Munich agreement later: "A great disaster and a humiliation and negation to this country." Yet what Lord Irwin said and tried to do in India did mark a divide in history; and, looking to the future, he was right and Churchill (and Lord Birkenhead's father were wrong.

Lord Irwin put it plain in his farewell speech:

> There are those who see in the present movement and stirring of thought in India merely a movement engineered by a negligible minority, which ought never have been allowed to attain its present importance, in that much of it is frankly seditious, and with firm government would readily be suppressed.
>
> That diagnosis I believe to be superficial, distorted and wholly divorced from reality.
>
> Great Britain will delude herself if she does not recognise that, beneath all the distinctions of community, class and social circumstance, there is a growing intellectual consciousness, or more truly self-consciousness, which is very closely akin to what we generally term nationalism.

It was the wind of change that he saluted (just as earlier in his life he had briefly sniffed it in the West Indies and Ireland). He was no more eager to "liquidate" the Empire than Churchill. But "it seemed to him a ridiculous paradox that India alone should escape from a movement of political thought that was affecting every other part of the British Empire." And, responsible as Viceroy, it was his duty to say so and to do what he could about it.

That is the key to this finest, if frustrated, hour of his life: responsibility. For the only time in his public career he felt individually responsible for what he was doing and attempting: private and public piety, squire and statesman (he was never a politician) did for those years coincide—as they never did again, except fleetingly during his mellowly successful term in that other edifice of New Delhi's Lutyens, the Embassy in Washington.

The equation of Edward Wood has still to be solved. But Lord Birkenhead's long book does help much in the reckoning.

Mum's the Word

Not in the Public Interest: *The Problem of Security in Democracy*

By David Williams.

Hutchinson. 224 pages. 35s.

The theme of this book is that secrecy in most branches of government and public administration has increased, is increasing and ought to be diminished. The case built up by Mr Williams is all the more impressive for the restraint and objectivity which he shows. The book is not an exhaustive treatise on its subject but a survey for the general reader, attractively written without being unscholarly, and it deserves to be widely read.

Mr Williams starts off his survey of governmental obsession with secrecy with the legislation governing secret information. Three statutes are concerned—the Official Secrets Acts of 1889, 1911 and 1920. These make it an offence, punishable with severe penalties, to pass on any information or document on various classified matters "for any purpose prejudicial to the safety or

WHO OWNS WHOM

(U.K. Edition) 1965

8th Edition:
Over 53,000 entries

U.K. parents showing subsidiaries and associates throughout the world
U.K. associates and subsidiaries showing parents throughout the world
U.S. parents showing U.K. subsidiaries

". . . the invaluable book of parent, associate and subsidiary companies."
The Economist

". . . a fascinating directory of U.K. parent and subsidiary companies."
The Guardian

"Each year Who Owns Whom grows bigger and better. . . . This is an invaluable work of reference. . . ."
Investors Chronicle

£8 post free

through booksellers or from the publishers:
Also available: Quarterly Supplements for June, Sept., Dec. 1965 and Mar. 1966 £1 the set of four post free.

Publishers:

O. W. ROSKILL & CO. (REPORTS) LTD.

14 Great College Street, London, S.W.1.

A PROGRAMME FOR GROWTH
PART VI

Exploring 1970: Some Numerical Results

Edited by Richard Stone

What, in quantitative terms, is required of the various sectors of the economy, if, as a whole, it is to grow at 4% per annum? These studies analyse, by computer, the economic position in 1970 if this level of growth is maintained. 21s

Studies in Econometric History

A. H. Conrad and J. R. Meyer

An original and provocative approach to three specific problems that have long plagued historians: the profitability of slavery in the ante-bellum South; income growth and development in the United States during the 1800's and the Great Depression in the British economy. A study of econometric methods as they work in practice. Aug. 45s

Chapman & Hall

11 New Fetter Lane, London EC4

interests of the state." A curious feature of the legislation is that it reverses the normal onus of proof: the accused has to show that the activities he indulged in were innocent. On the whole these Acts have been sensibly administered and are a necessary evil, but there was a bizarre incident in 1938 when Mr Duncan Sandys got hold of a document showing the inadequacies of London's anti-aircraft defences. He drafted a question which he sent to Hore-Belisha and found himself hauled before the Attorney-General and threatened with imprisonment. A select committee was appointed and deprecated this invasion of an MP's rights. Privilege for once had served a useful purpose.

The next weapon in the governmental secrecy armour considered by Mr Williams is the issue of D-notices to prevent press comment on security matters. The status of these notices is unofficial, but they are widely obeyed. A committee of officials and representatives of the press and broadcasting issues them and provides an internal check. Mr Williams seems to support the view that D-notices are sometimes too readily issued but does not produce much evidence to support his indictment. After D-notices comes crown privilege, a dubious legal doctrine that enables the executive to refuse to reveal governmental documents to the courts, and which reached a high point in the *Thetis* case just before the war. Lord Simon supinely maintained that once a minister had claimed crown privilege his view must be accepted by the courts. Fortunately, in the *Gordons Hotel* case the Court of Appeal has recently challenged the *Thetis* decision and deprecated the excessive use of privilege by the crown. Lord Denning indicated that the court must reserve the right to examine the merits of the crown's claim in certain circumstances. The court was harking back to a judgment in the first world war when an appeal court judge reminded the crown that the foundation of the rule

> is that the information cannot be disclosed without injury to public interests, and not that the documents are confidential or official, which alone is no reason for their non-production.

Local councils are also rightly accused of being over concerned with secrecy. Many of them still exclude the press from their committee deliberations—in spite of the Act sponsored in 1960 by Mrs Thatcher, a Tory MP, which gives the press a right to be present even when the council has resolved itself into committees. The case for an ombudsman in local government is strong.

A final dragon tackled by Mr Williams is the absurd rule banning access to all cabinet and governmental papers for a period of fifty years. Less happy is his treatment of the subject of counter-espionage, which occupies a sizeable portion of the book. One remark on the defection of Burgess and Maclean is revealing: "the educational background of the two men was also such as to make virtual treason on their part unthinkable." The establishment mind pops up in strange places.

Not Quite Regained

Marcel Proust, A Biography: *Volume Two*

By George D. Painter.

Chatto and Windus. 424 pages. 40s.

In one of the discursive arguments in this second and last volume of his biography Mr Painter considers the justification of his whole enterprise. The occasion is Proust's essay *Contre Sainte-Beuve*, written in 1908 but only published posthumously. Proust criticised Sainte-Beuve for using the external features of a writer's life and character to explain his work; for, he wrote,

> a book is the product of a different self from the one we manifest in our habits, in society, in our vices. If we mean to try to understand this self it is only in our inmost depths by endeavouring to reconstruct it there, that the quest can be achieved.

Mr Painter pauses to ask whether he cannot be justly criticised on the same count, but he concludes that "the biographer's task is to trace the formation and relationship of the very two selves which Proust distinguishes" and "if he fails, should blame his own faulty application of the biographical method, his deficiencies of talent and sensibility, but not the method itself."

Mr Painter is certainly deficient neither in talent nor in sensibility. His second volume, although more complex than the first, is equally readable and equally scholarly. It takes us from 1903, when Proust's father died, through the agony of his mother's death, his affair with his chauffeur Agostinelli, the composition of "*A la recherche du temps perdu*" to his own death in 1922. Proust's life was tragic in its grand design; Mr Painter writes with sympathy of his love for his mother and guilt towards her, partly relieved by the writing of his great novel but only resolved by death. In its details, however, Proust's life was richly comic—for instance, his appearance on the golf course at Cobourg

> in his archiepiscopal violet velvet cloak, tottering and pale; but his interest was more in the players than the game, the object of which he believed to be to get round in the greatest possible number of strokes.

Mr Painter displays great knowledge and skill in showing how the characters and incidents of the novel are compounded from such details.

The final judgment on Mr Painter's work must be that it is a brilliant example of a literary biography. Proust is well suited to be the subject of such treatment. He spent much of his life trying to write one novel for which his earlier works are but preparations; that novel is based more directly than most on the life, both psychological and social, of the author. Yet at the end of Mr Painter's book, one feels that Proust's criticism has not quite been met. Mr Painter has done all that he could to unearth from the documentation the "different self," but he cannot achieve it. It is not the fault of the biographer but of the whole genre if that self is to be found in the original novel.

From Tycoon to Patriarch

The Founding Father: *The Story of Joseph P. Kennedy*

By Richard J. Whalen.
Hutchinson. 551 pages, illustrated. 60s.

The father of the Kennedys is such a strange and complex man that he deserves to be studied in depth. Mr Whalen realised this and has produced a long and meticulous biography which is almost very good.

Joseph Kennedy's life falls naturally into three parts—the growth of a tycoon, the public man and the patriarch. In the first and last of these, Mr Whalen is completely at home. He works for *Fortune*, and therefore understands the world in which financial operations bring greater rewards than solid achievement. And he can appreciate the motives that persuaded an instinctive poacher to turn into an effective gamekeeper when he was appointed the first Chairman of the Securities and Exchange Commission.

But it is unfortunately in the most important section of the book, dealing with Mr Kennedy's ambassadorship in London, that Mr Whalen does not quite succeed, in spite of a prodigious amount of research. (The 120 pages covering this period contain over 500 footnotes.) Yet there are serious gaps, and the total effect is just off-key—rather like the effect of the film of *Mrs Miniver* on those who had lived through the blitz.

There are obvious examples of "miniverism"—the American Embassy "at Prince's Gate in Grosvenor Square," Mrs Kennedy and the girls being dressed by "Molyneaux," the *Observer* "controlled by Lord Astor's brother" and the Kennedy family "occupying an entire sleeping car on the Golden Arrow Express"—but they are only symptoms of a failure to understand the complexities of English opinion and policy at the time. Mr Whalen's English characters are too simplified.

And there are times when one feels that Mr Whalen himself realises that something is missing. It is unfortunate that he was too young to have discussed the period with Mr Ray Atherton or Mr George Rublee (though he did have access to Mr Rublee's tape recordings in the Columbia University series).

But these are minor faults in a book of great value and serious scholarship, in which Mr Whalen shows deep understanding of his protagonist (not by any means his hero). He sees nothing to criticise in Mr Kennedy's pessimism about the chances of British survival—even if he was wrong and that other, more romantic, Irishman, Colonel Donovan, right—but everything to criticise in the roots of his isolationism. In the end there is one thing that differentiates Mr Kennedy from any other self-made millionaire who failed when deeper considerations than safeguarding his fortune were involved. That is his subordination over the last twenty years of himself and his reputation to his children.

Mr Kennedy will not be the first man called Joseph to owe his place in history to the martyrdom of his son, but he will deserve a place in history for living on an entirely different moral plane as a father from that he achieved in the rest of his life. And in his last section, Mr Whalen shows why such a long account of him is justified.

Voluntary Servant

The Far Province

By Francis Cripps.
Hutchinson. 206 pages, illustrated. 35s.

Mr Cripps's book is one of the first of a new type of young man's (or woman's) travel book that is replacing the old I-sailed-round-the-world or I-climbed-a-mountain book, or, more lately, I-went-to-Australia-in-a-jeep book. Mr Cripps has written a Voluntary Service Overseas book, and it is very interesting indeed. It tells of his experiences at a teacher training school in north-east Thailand from 1961-62, experiences that he put to such good use that he found it impossible not to return a year later. Mr Cripps began by looking on from the outside, a westerner picking up his first impressions of the east; then he started to learn the language, and soon without the need for interpreters (presumably, as they cease to be mentioned early on) was really able to live among the people and work with them. The result is that he gives village life in this far province of Thailand some of the same lively reality for his readers as it had for himself.

Mr Cripps writes amusingly and his quick sympathy for people and situations leads him to some pretty shrewd observations. He lived alongside the pull of east against west, technological education against traditional Buddhist teaching. He grasped opportunities for travel that came his way, visiting an American irrigation scheme and distant villages to see all the problems that face the old-fashioned farmers, and those who are introducing new farming methods to remote places. He learnt at first hand the difference between neat reports, statistics and theories, and the facts on the spot, when he came across the case of a spirit that had to be invited to move to a new shrine to make way for a canal and at first refused. Luckily it agreed in the end to recognise the superiority of a new monster ninety-ton crane that had been assembled and could not reverse.

Barriers between peoples are broken down, and bridges built, by people like Mr Cripps, and the extent to which our own idea of the east may be wrong can be measured by one anecdote he tells of a woman who was way out in her idea of life in the west. She finally brought herself to ask Mr Cripps a question over which she had been brooding for a long time. "The cartoon-film figures," she asked, "What country do they live in? Are they really human? What do they eat? Do they speak the foreigners' language?"

THE ROLE OF THE TRUST and LOAN COMPANIES IN THE CANADIAN ECONOMY

A study prepared at The University of Western Ontario for submission by the Trust Companies Association of Canada to the Royal Commission on Banking and Finance and focusing on the implications of the activities of financial intermediaries for monetary policy.

340 PAGES—PRICE $9.75

A LIMITED NUMBER OF COPIES ARE AVAILABLE FROM:

THE BUSINESS QUARTERLY
SCHOOL OF BUSINESS ADMINISTRATION
THE UNIVERSITY OF WESTERN ONTARIO
LONDON, CANADA

CHEQUE OR MONEY ORDER IN CANADIAN FUNDS
PAYABLE AT PAR TO THE BUSINESS QUARTERLY TO ACCOMPANY EACH ORDER

Classroom Experiments

Innovation and Research in Education

By Michael Young.

Routledge and Kegan Paul. (Institute of Community Studies Series.) 192 pages. 25s.

In this book, the Director of the Institute of Community Studies undertakes a descriptive analysis of current practice in innovation and research in education, and puts the case for partnership between them. The author finds that at present we suffer from too much innovation that is haphazard or merely fashionable, and that far too little provision is being made for research. The classroom should become the laboratory for research, and the social scientist should be prepared to overcome the obstacle of human imponderables—the essence of the classroom situation—by means of experiment. It is a convincing argument.

The challenge of partnership between research and experiment is an urgent one. The number of children of school age is increasing, and many future pupils are born to women teachers, who are thus lost to the schools. Teachers are scarce. They are also faced with an unprecedented explosion in the body of knowledge, particularly in the sciences, and with a series of basic reappraisals of methods of teaching—in mathematics and languages for example.

In order merely to keep pace, we must accept innovation. Yet teachers are resistant to change, and view experiment sceptically. This scepticism is defensible when the introduction of new methods is unaccompanied by the research that should justify it. Once innovation of this kind gets a hold, however, the conservatism of teachers ensures that it will remain entrenched far longer than it deserves. The lifetime of the individual teacher can rarely accommodate more than one revolution.

Research can insure to some extent against misguided innovation, which is wasteful in two ways. First, it may lead to some part of the pupils' education going by default. Secondly, such innovation will inevitably be replaced by some new scheme that will involve the schools in the expense of new texts and apparatus, while the old will go to share the dust of the stock-room alongside other unhappy enthusiasms of the past.

Dr Young both suggests fields ripe for research and experiment and gives a survey of what has already been done. He describes clearly the many interrelated problems to be considered if a valid view of education in Britain is to be attained. As a balanced, non-doctrinaire survey of the factors and problems—human, administrative and methodological—which bear upon the educational system, the book has great value and interest. The last two chapters, on research method and organisation, together with the documentation of research experience to be found in the appendices, meet a more specialised need.

PAPERBACK SELECTION

The selection begun in last's week's issue is concluded below.

Literature and Literary Criticism:

ALLEN TATE. By George Hemphill. RALPH WALDO EMERSON. By Josephine Miles. AMERICAN HUMORISTS. By Willard Thorp. CONRAD AIKEN. By Reuel Denney. ARTHUR MILLER. By Robert Hogan. SHERWOOD ANDERSON. By Brom Weber. ROBERT PENN WARREN. By Paul West. All 48 pages. 5s. each. (Pamphlets on American Writers Series.) *Minnesota University Press.* London: *Oxford University Press.*

THE GARRETSON CHRONICLE: A Novel. By Gerald Warner Brace. 401 pages. 12s. 6d. THE LAST CHRONICLE OF BARSET. By Anthony Trollope. 668 pages. 15s. DICKENS AND HIS READERS: Aspects of Novel-Criticism since 1836. By George H. Ford. 334 pages. 12s. 6d. CASTLE RACKRENT. By Maria Edgeworth. 95 pages. 7s. 6d. NIGHTMARE ABBEY. By Thomas Love Peacock. 94 pages. 7s. 6d. EVELINA: or The History of a Young Lady's Entrance into the World. By Fanny Burney. 388 pages. 12s. 6d. *W. W. Norton,* New York. London: *Oldbourne Press.*

EUGÈNE IONESCO. By Leonard C. Pronko. 47 pages. E. M. FORSTER. By Harry T. Moore. 48 pages. C. P. SNOW. By Robert Gorham Davis. 48 pages. MICHEL BUTOR. By Leon S. Roudiez. 48 pages. 5s. each. (Essays on Modern Writers Series.) *Columbia University Press.*

SHAKESPEARE'S IMAGERY AND WHAT IT TELLS US. By Caroline Spurgeon. 423 pages. 16s. THE CONCISE CAMBRIDGE BIBLIOGRAPHY OF ENGLISH LITERATURE, 600-1950. (2nd edition.) Edited by George Watson. 280 pages. 12s. 6d. (25s. clothbound.) UNDERSTANDING LITERATURE. By Robin Mayhead. 189 pages. 12s. 6d. AN INTRODUCTION TO GERMAN POETRY. By Ronald D. Gray. 156 pages. 12s. 6d. *Cambridge University Press.*

SELECTED POEMS OF SAMUEL JOHNSON AND OLIVER GOLDSMITH. Edited by Alan Rudrum and Peter Dixon. 146 pages. EARLY EIGHTEENTH CENTURY POETRY. Edited by James R. Sutherland. 192 pages. POEMS OF FAITH AND DOUBT: The Victorian Age. Edited by R. L. Brett. 191 pages. 7s. 6d. each. (15s. clothbound.) (English Texts Series.) *Edward Arnold.*

THE ENEMY JOY: New and Selected Poems. By Ben Belitt. 112 pages. 14s. THE NOVEL AND THE MODERN WORLD. (Revised edition.) By David Daiches. 231 pages. 12s. 6d. (Phoenix.) LANGUAGE CHANGE AND LINGUISTIC RECONSTRUCTION. By Henry M. Hoenigswald. 176 pages. 10s. 6d. (Phoenix.) *University of Chicago Press.*

A WOMAN'S LIFE. By Guy de Maupassant. (Translated and introduced by H. N. P. Sloman.) 201 pages. 4s. (Classics.) CLASSICAL LITERARY CRITICISM: Aristotle on the Art of Poetry: Horace on the Art of Poetry: Longinus on the Sublime. Translated and introduced by T. S. Dorsch. 157 pages. 3s. 6d. (Classics.) DECLINE OF THE ENGLISH MURDER: and Other Essays. By George Orwell. 187 pages. 3s. 6d. (Pelican.) *Penguin.*

SELECTED POEMS. By Edith Sitwell. (Chosen and introduced by John Lehmann.) 150 pages. 6s. (Papermac.) SIR PHILIP SIDNEY AND THE ENGLISH RENAISSANCE. By John Buxton. 294 pages. 15s. (Papermac.) *Macmillan.*

THE PERSONAL HERESY: A Controversy. By E. H. W. Tillyard and C. L. Lewis. 150 pages. 6s. *Oxford University Press.*

EDMUND SPENSER: An Essay on Renaissance Poetry. By W. L. Renwick. 205 pages. 15s. (University.) *Methuen.*

Politics and Current Affairs:

POLAND BETWEEN EAST AND WEST: Soviet and German Diplomacy toward Poland, 1919-1933. By Joseph Korbel. 332 pages. 22s. 6d. THE PRESS AND FOREIGN POLICY. By Bernard C. Cohen. 297 pages. 22s. 6d. AMERICAN SCIENTISTS AND NUCLEAR WEAPONS POLICY. By Robert Gilpin. 360 pages. 22s. 6d. STRATEGY IN THE MISSILE AGE. By Bernard Brodie. 436 pages. 22s. 6d. *Princeton University Press.* London: *Oxford University Press.*

NORDEN: Crossroads of Destiny and Progress. By Vincent H. Malmström. 128 pages. INDIA: The Search for Unity, Democracy, and Progress. By Walter C. Neale. 128 pages. THE WEST INDIAN SCENE. By G. Etzel Pearcy. 136 pages. 12s. each. (Searchlight Original Series.) *Van Nostrand.*

THE PYRAMID CLIMBERS. By Vance Packard. 349 pages. 5s. (Pelican.) THE BREAK-UP OF THE SOVIET EMPIRE IN EASTERN EUROPE. By Ghita Ionescu. 168 pages. 3s. 6d. (Special.) THE GEOGRAPHY OF AFRICAN AFFAIRS. By Paul Fordham. 244 pages. 5s. (Pelican Original.) *Penguin.*

THE RELUCTANT ALLY: A Study of Communist Neo-Colonialism. By Ghita Ionescu. 133 pages. 3s. 6d. (Ampersand.) MURDER TO ORDER. By Karl Anders. 110 pages. 6s. (Ampersand.) *Allen and Unwin.*

IMMIGRATION: What is the Answer? Two Opposing Views. By Norman Pannell and Fenner Brockway. 126 pages. 4s. *Routledge and Kegan Paul.*

TEAPOT DOME: Oil and Politics in the 1920's. By Burl Noggle. 243 pages. 11s. *W. W. Norton,* New York. London: *Oldbourne Press.*

Science and Mathematics:

A GUIDE-BOOK TO BIOCHEMISTRY. (2nd edition.) By Kenneth Harrison. 160 pages. 12s. 6d. PATTERNS OF DISCOVERY: An Inquiry into the Conceptual Foundations of Science. By Norwood Russell Hanson. 249 pages. 10s. 6d. VIBRATION: Based on Six Lectures Delivered at the Royal Institution, London, in December 1962. By R. E. D. Bishop. 120 pages. 12s. 6d. *Cambridge University Press.*

ISOTOPES. (2nd edition, revised.) By J. L. Putman. 234 pages. 8s. 6d. (Pelican Original.) ELECTRONIC COMPUTERS. By S. H. Hollingdale and G. C. Tootill. 335 pages. 7s. 6d. (Pelican Original.) HOW TO TAKE A CHANCE: The Laws of Probability. By Darrell Huff. 141 pages. 3s. 6d. (Pelican.) *Penguin.*

Sociology and Psychology:

THE SCIENTIFIC ANALYSIS OF PERSONALITY. By Raymond B. Cattell. 399 pages. 6s. (Pelican Original.) THE FEMININE MYSTIQUE. By Betty Friedan. 366 pages. 5s. THE DIVIDED SELF: An Existential Study in Sanity and Madness. By R. D. Laing. 218 pages. 3s. 6d. (Pelican.) *Penguin.*

FACES IN THE CROWD: Individual Studies in Character and Politics. (Abridged edition.) By David Riesman and Nathan Glazer. 652 pages. 25s. *Yale University Press.*

SOCIAL MOBILITY IN INDUSTRIAL SOCIETY. By Seymour Martin Lipset and Reinhard Bendix. 330 pages. 17s. *University of California Press.* London: *Cambridge University Press.*

THE SELF IN TRANSFORMATION: Psychoanalysis, Philosophy and the Life of the Spirit. By Herbert Fingarette. 370 pages. 15s. (Torchbooks.) *Harper and Row.*

Insurance 1965 A Survey by The Economist

Accountable to Whom? Page v.

The Motor Agony: à la Française v.

South African Upheaval vii.

Turn of the Tide in Britain? viii.

United States: No Relief Yet xii.

Insurance Shares ex Finance Bill xvi.

A Consumer's Guide to Life Assurance xx

"Old Friends Never Change" xxii.

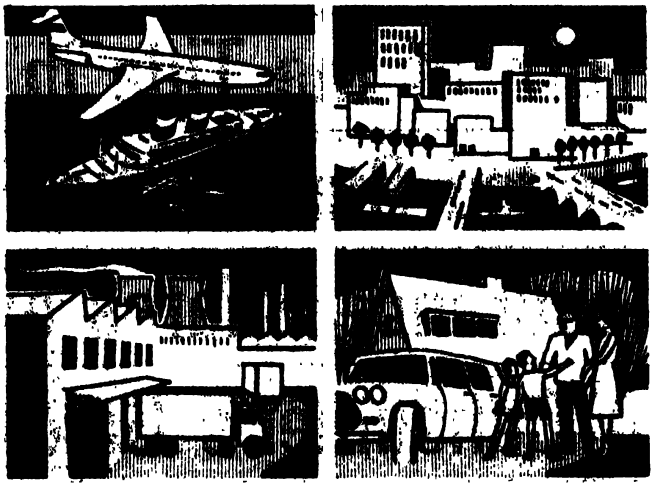
German State Pensions: The Next Round xxvi.

Immigrant Insurers xxix.

Alternatives for Pension Rights xxx.

NORWICH UNION INSURANCE throughout the world

Constructed by John Cary, the distinguished 18th century cartographer, about the time the Norwich Union was founded in Norwich.



Airlines and shipping linking continents, new buildings amidst the world's great cities, thriving industries in an expanding economy, ordinary families enjoying a week-end off . . . wherever you go you'll find Norwich Union Insurance. By the wise investment of its funds, the fostering of industrial growth and the protection of companies and individuals, the Group plays an ever-increasing part in the world's daily affairs.

Through one hundred and sixty-seven years of outstanding progress the Norwich Union Insurance Group has maintained a modern outlook, and now employs the very latest electronic equipment to administer its complex affairs. Throughout Britain and in seventy countries overseas, the vast experience and widespread financial strength of the Norwich Union provide security in an uncertain world.

NORWICH UNION GROUP : 20 REMARKABLE YEARS

NORWICH UNION
INSURANCE GROUP

HEAD OFFICE: SURREY STREET, NORWICH

Norwich Union Insurance Societies, Scottish Union and National Insurance Company, and associated offices.

Their savings steady and ready
—4¾% System Saving Shares

With these new System Saving Shares you can build up capital quickly and at the same time earn the especially high rate of 4¾% interest on your money. The Temperance have an account to suit your needs—start saving today. Write for full particulars Ref. R6.

TEMPERANCE
PERMANENT BUILDING SOCIETY
Member of the Building Societies Association
223-227 REGENT ST LONDON W1 REGent 7282

YORKSHIRE INSURANCE

Branches and Agencies throughout the World

THE YORKSHIRE INSURANCE COMPANY LTD.
Chief Offices: Bootham Street, YORK
Becket House, 36-37 Old Jewry, LONDON, E.C.2

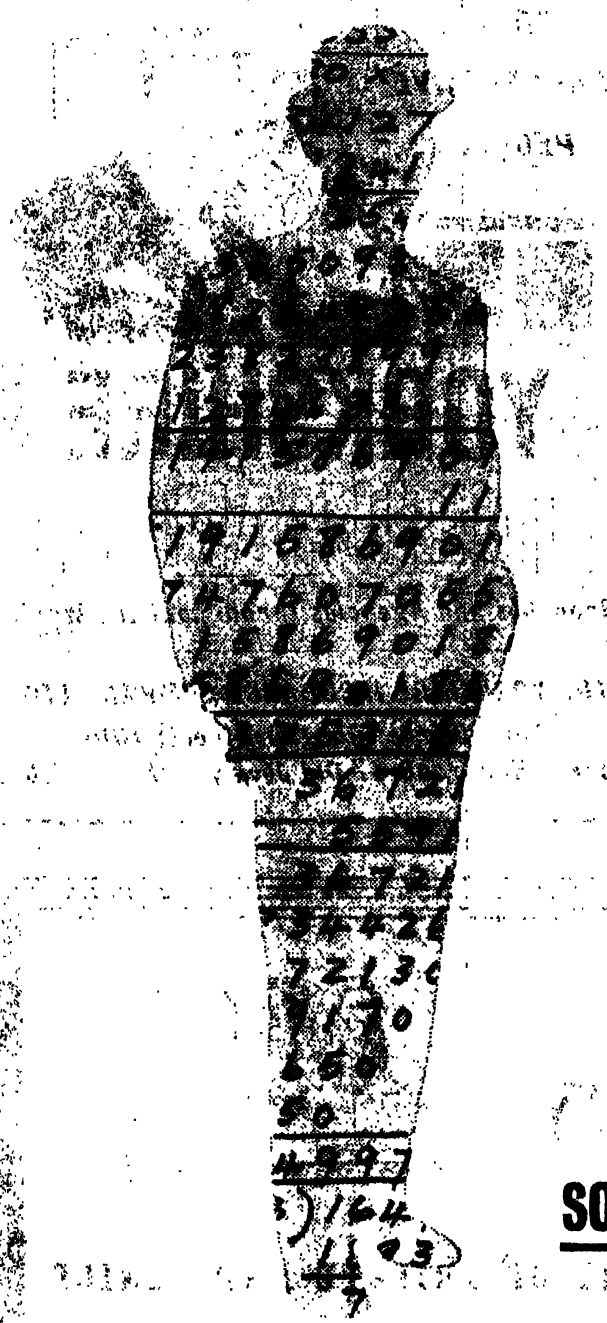
EUROPA POLICY

THE GENERAL INSURANCE COMPANY OF TRIESTE AND VENICE

(Assicurazioni Generali S.p.A. Est. 1831) offers this special life policy which can be transferred from one currency to another on a change of residence within the countries of the European Economic Community and the United Kingdom.

For details of all the Company's policies consult your broker or write to the U.K. Branch at

FOUNTAIN HOUSE · 130 FENCHURCH STREET · LONDON EC3 · *Telephone:* MINcing Lane 6685



ARE YOU A SUM OR A SOMEBODY?

You're both when you're a customer of Commercial Union. A risk in an actuarial sum in whatever insurance you take out. But also a human being. For reliable and friendly insurance service—consult Commercial Union one of the biggest insurance groups in Britain.

COMMERCIAL UNION ASSURANCE GROUP

Head Office: 24 Cornhill, London, E.C.3, and over 250 branches throughout the country—please consult your local telephone directory

Accountable to Whom?

INSURANCE men have always thought of themselves as accountable to their shareholders, and to their policyholders. Subject to these restraints they may have tended to regard their business as their own concern and nobody else's. But insurance in any developed community is a vital service. The operations of all insurers may eventually come to be regarded as matters of public interest, if not concern. Insurers, like the old public utilities, may come to be held accountable to the community as a whole.

Is this just a distant possibility? Few French insurers would think so, after the events of the past two years, in which the government has settled a quarrel between motorists and insurers. The upshot has been higher premiums for motorists and more controls over insurers (see below). Nor would many insurers in South Africa now find it easy to forget the possibility of State intervention, following the tightening up of official supervision over the industry there (page vii). Finally there is the United States. Here there has never been any question about accountability; state governments have always had powers to control insurance rates. But whether this is the best way to secure a suitable measure of accountability is not certain. There are tiresome side effects (page xii).

In Britain, after a decade of dismal underwriting insurers now believe the tide has turned. True they have believed this before. The difference this time is that their view is supported by figures (page viii). The investor therefore ought now to take another look at insurance shares, in spite of the new taxation complications (page xvi).

As for the consumer, the man who buys insurance, his most expensive item is usually life assurance. Yet although competition between the companies is fierce, it is far from simple for him to sort out the best buy for himself. For a with-profits policy, a rational choice between companies must be built on a hazardous guess about future rates of bonus. The most useful guide is a comparison between past performances of different companies, the exercise carried out by *The Economist* every five years (page xx). Despite the competitive character of the British market for life assurance, its handsome growth rate has attracted new life companies from abroad (page xxix).

Elsewhere, in a more tranquil part of the market, the Friendly Societies quietly continue to exist, undisturbed by the ravages of time (page xxii). What function do they fulfil nowadays alongside the Welfare State?

At the other extreme, private pensions business rubs shoulders uneasily with the public sector. Although Labour has been strangely silent on this since it assumed office, probably plans are being hatched out behind the closed doors of the Chancellory of the Duchy of Lancaster, where Labour's pensions expert, Mr Douglas Houghton presides. In Germany the graduated state scheme has just been extended to new groups of salary earners. Germany today may give a foretaste of the sort of competition British insurers may expect from the State tomorrow (page xxvi). Meanwhile among British pensions assets the argument continues between supporters of "vesting" and of "transferability" of pensions rights when employees change jobs (page xxx).

The Motor Agony: à la Française

THE recent report from McKinsey & Co., the management consultants, has given British insurers some guidelines for restoring their business to profitability and redistributing the burden more equitably among the motoring population. But France too has recently had a motor insurance crisis. So have other developed countries. International comparisons in motor insurance can therefore usefully be made.

Cost is the obvious one. Motor insurance in France is more than twice as expensive as in Britain. No doubt differing national temperaments—and driving habits—have something to do with this; according to official French estimates, road deaths per kilometre of mileage driven in France are twice as high as in Britain. But there is another important reason. The Frenchman grumbles a lot, and insures for as little as he can, namely, third party liability only. The British motorist grumbles less and insures for more, usually including cover for damage to his own car. Now a motorist with only third-party cover usually behaves differently. If his car is damaged, and he has no legal claim (i.e., it was his fault, or nobody's fault), he may not have it repaired as he will have to fork out himself. A day in the streets of Paris is enough to confirm that this is exactly what happens. But sooner or later he will have an accident where he does have a claim against someone else's insurer. And then, sorting out how much of the damage is attributable to which accident is a process that works to the insurer's disadvantage. The problem is not unknown in Britain, though on a scale more limited, owing to the practice of comprehensive insurance. Therefore to compare the cost of third-party cover in France and Britain—as the British companies have recently been doing—may not in fact be comparing like with like: indirectly, the Frenchman gets a little more than third-party cover.

Whatever the comparative costs, the claims experience of French insurance companies has followed the British pattern. In 1963 the companies announced new tariffs to take account of the deterioration in experience since 1958, when the old rates had been fixed. Not only were the new rates higher. Differentials between the various categories were also widened, and categorisation of the various types of motor risk was carried further with premiums varying according to the driver's profession, type of vehicle and zone in which it was garaged. The result was that motor premiums in general rose by some 24 per cent. This in itself would have caused an outcry. Moreover, two thirds of all motorists had increases of up to 60 per cent, 13 per cent by more than 60 per cent (up to about 150 per cent); while 20 per cent had their premiums reduced. Some suspicious minds noted a correlation between motorists with high premium increases and motorists with political influence—presumably on the grounds that all the wire pullers in France drive around in *le Jag* and live in the area of highest traffic density. But it is surely stretching the evidence to attribute the outcry to this. As British experience with the 1963 revaluation of property for rating confirmed, nothing causes so much anguished indignation as a redistribution of a total financial burden, of roughly unchanged magnitude, according to an entirely

new formula, even one demonstrably more equitable than the old.

The hullabaloo over French motor premiums coincided with the inauguration of the stabilisation plan, and ministerial intervention was thus inevitable. M. Giscard d'Estaing summoned a round table conference, which met for the first time early last year. Taking part were representatives of all interested bodies under the surveillance of the Finance Ministry. The need for the premium increases was spelt out publicly in hard figures. In the previous decade the frequency of claims (in proportion to the number of vehicles in circulation) had admittedly fallen by 10 per cent. But the average cost per claim had roughly doubled. And as a cause—or an effect—of this, garage workers' salaries had multiplied by 2.32 against 1.77 for salaries in general. Accordingly the cost of the risk had increased by some 80 per cent, while premiums had risen by only 50 per cent. By 1962 claims were absorbing 87 per cent of premium income, producing an underwriting deficit of between 15 and 20 per cent of premium income.

Although the problem turned out to be that premium rates had failed to move up in line with the cost of the risk, which had in fact increased by no more than the level of money salaries in general, the Minister dictated a solution that took little account of these realities. Tariffs were blocked at their new increased levels, and direct measures were instituted to hold down the component elements—expenses and claims.

Companies are required to reduce their expenses from some 32 to 34 per cent of premiums down to 28 per cent by 1970. A contributory motive here was the prospect of the application of the Treaty of Rome to insurance, then envisaged for 1967. The Ministry was anxious to knock French insurance into shape for the coming competition; the industry on the other hand regards the Swiss and the British as more formidable than common market competitors. Foreign competition is officially welcomed as a spur to efficiency. Smaller cut-price companies have no part to play; they allegedly get only the worst risks. The lower expense ratios are expected to produce mergers and concentration in the industry.

Apart from the less efficient smaller companies, other sufferers from the new expense ratio ceiling will be brokers and agents. These intermediaries will be re-classified strictly according to the service they actually perform and new, and generally lower, scales of commission will be allowed. The companies will be under particular pressure to eliminate duplication of work between their own offices and those of the intermediaries. Meanwhile a new tariff is being drawn up.

A modified, French-type version of a knock-for-knock system will also be applied, to reduce the cost and delay of claims. Where third party insurance only is the rule, these agreements are generally more difficult to devise: the guilty motorist should obviously have to pay for the damage to his own car himself. But by applying a rough and ready set of conventions (based, with characteristic logic, on the angle of collision) blame for smaller claims can be apportioned quickly, with each insured party being reimbursed to an appropriate extent, and the companies settling among themselves. A full bodied British-style knock-for-knock agreement would be possible only if third party-cum-collision cover became general in France. This is a possibility, but in view of its higher cost, probably a non-starter for the time being. Indeed, reconsideration of the British knock-for-knock system was urged in the McKinsey report.

Finally discussions have been held with French judges to check the soaring cost of injury compensation claims and, apparently new criteria have been agreed. But the vital ingredient in the cost of motor insurance, the cost of repairs, defies all control. The mounting cost of motor insurance in France, combined with the intervention from the government, has delivered a punch on the nose to everybody concerned: only the indomitable garage owner, and his employees, seem to have escaped.

The French Lesson

The French companies' moves towards wider differentials and more categorisation of different risks came in for some criticism at M. Giscard d'Estaing's round table conference, and it is doubtful if these principles will be incorporated in the new tariffs now being devised. Classification of risks according to type of vehicle, age of driver and age of car is not the answer. To charge a driver a high premium merely because he drives a fast new car in Paris may seem superficially justified by the high statistical probability of accident. But in motor insurance, as French insurers are now recognising, this is not the same thing as risk. If this man has driven in these conditions for 20 years without causing an accident, quite obviously the risk is not high. The major factor of risk in motor insurance is simply the individual driver himself. So the new French tariff will be "personalised." Premiums will be heavily loaded or discounted according to a driver's performance over a given period. The effective premium will reflect his accident record (not his claims) and the frequency and seriousness of his motoring offences (excluding parking).

If this sort of personalisation of tariffs for Britain was what McKinsey meant when recommending a change in the basis of the insurance from the car to the driver, then well and good. But it had better be frankly recognised that for Britain a two-part premium would then be needed, with the other part based on the car. Over half of all motor claims arise from accidental damage, fire and theft, risks determined by the type of car, not the driver. British insurers might also resist personalisation of this sort on the grounds that it would lead to higher administrative expenses. French experience may yet prove them right. But this is no reason for dismissing the idea *a priori*. It is worth a try.

On commissions the British are moving in the same direction as the French, but at a snail's pace. Only in fire business have differentials so far been introduced between the scales for agents and brokers. And for motor business the introductory agent still gets 10 per cent of the premium every year in Britain against the French equivalent—from now on—of 2½ per cent. And expenses (including commissions) of British offices normally run around 35 per cent of motor premiums, against the 1970 French ceiling of 28 per cent. As the French experience has shown, motor insur-

ance can become a political issue when a vigorous official campaign is being conducted against rising prices; and in such circumstances unless the cost of providing this important service can be reduced to an acceptable level by the providers themselves, official interference is likely.

Finally, British insurers might note the contrast between the secrecy and obscurity with which their own McKinsey report has been clothed and the massive publicity evoked by the French round table conference. Like it or not, motor insurance is a matter of public concern, and a public confrontation between opposing viewpoints can do much to reduce barriers to mutual understanding. No doubt the French conference was elaborately stage-managed by the Finance Ministry. But it served its purpose: to force a reform on the companies, to secure public acceptance of the necessity of higher premiums and, above all, to hammer home the fundamental, unwelcome fact of motor insurance life:

contrairement à une opinion faussement répandue, ce n'est pas "l'assurance qui paye," mais les assurés . . .

South African Upheaval

The South African Government has belatedly moved to curb insurance malpractices, but in doing so has taken a nationalist side-swipe at foreign companies.

Cape Town

ALTHOUGH the South African government has finally been jolted into tightening the law that governs the insurance industry, neither the industry nor the public have yet overcome the shocks of 1963 and 1964, when no less than ten insurance companies were liquidated or put under judicial management. This chain of failures culminated last December with the disastrous collapse of the Parity Insurance Company, which left about a third of the country's motorists bereft of third-party cover. Only then did the government spring in with a hastily conceived reorganisation of third-party business, and only then did it rush on to the statute book new legislation to give policy holders of all kinds a minimum of protection they should have had all along. Yet matters have not been put wholly right even now. The criticisms that continue to be levelled against the government are that its actions were belated, inadequate, and, in part, so clumsy that they have done as much to undermine confidence among many members of the industry as they have to restore public confidence in insurance business as a whole.

Most of the collapses between 1962 and 1964 were among companies that conducted intensive campaigns for third party business at cut rates, and then used their premium income for dubious, or even downright fraudulent, purposes. These malpractices partly reflected the weaknesses of the law. The compulsory deposits that insurance companies were required to maintain with the Treasury as a security for the payment of debts were wholly inadequate to protect policy holders in case of collapse; there were only the loosest of provisions governing investment of insurance funds; few curbs existed on conflicts of interest that arose when directors of insurance companies gave business to or made investments in other enterprises that they controlled; and the law left unscrupulous companies free to manipulate results to a remarkable degree. This was possible because in South Africa two vital figures in insurance accounts are unavoidably estimates, namely premiums owing by agents and not yet paid in, and claims outstanding and not yet settled.

The extent to which different auditors could be persuaded to certify contradictory results was glaringly illustrated in the case of Parity. In November, 1963, one firm of auditors certified that this company's liabilities exceeded its assets by some £300,000. Dissatisfied, Parity went to a second firm of auditors, which happily discovered that there existed, on the contrary, a surplus of more than £150,000!

Compounding the inadequacy of existing legal safeguards there was the apparent laxity of the Registrar of Insurance, Mr. C. R. B. de Villiers, who was once rebuked for being insufficiently vigilant by none less than a High Court judge. On occasion, he seemed to go even further, notably in the case of Parity. Here, almost inexplicably, he withdrew an earlier restraint he had imposed on the investment of policy holders' funds and he did so, of all times, very shortly after control of Parity had been assumed by Mr Wolf Heller, who had earlier steered two other insurance companies down the road to eventual liquidation.

Yet in all fairness, it is far from certain how much of the blame for the apparently loose supervision exercised properly belongs to the registrar. In the first place, his department is greatly overburdened. He is registrar of all financial institutions which include, besides about 180 insurance companies, some 60 assorted banking institutions and 25 building societies. Thus insurance companies so minded apparently found it easy to obtain one extension after another for the submission of their annual accounts, and by the time these were finally submitted, it was sometimes too late to remedy what had been done. Some idea of the pace at which the registrar's department works is given by the fact that at the end of May this year the latest annual report on the insurance industry available from the Government Printer was dated June 30, 1963, and contained figures which, in many instances, were no more up to date than June 30, 1962.

Moreover, it seems that the registrar was ill-advised by his political superior, Dr T. E. Dönges, the Minister of Finance. It is Dr Dönges who is most widely blamed for a number of ill-considered decisions that only aggravated policyholders' losses when ailing insurance companies did eventually collapse. Instead of intervening promptly, when dubious practices were first spotted (late as that often was), the authorities apparently decided in a number of cases that the insurance companies concerned should be given time to extricate themselves from their difficulties. In the event, the companies tended to use this time to slide even further into the mire.

NEW legislation has now gone a considerable way towards putting matters on a firmer footing. "Good faith" legislation passed a year ago provides heavy penalties for any directors, officials or agents of any financial institution for breaches of "utmost good faith" in the investment of funds entrusted to them. The same act empowers the registrar of financial institutions to apply for court appointment of a curator to take over a company once the registrar has come to the conclusion "for any reason" that it is desirable to apply for such an order. This enables the registrar to step in before a company's affairs have deteriorated to the point where it can be put under judicial management, and thus makes a timely rescue more feasible.

Subsequent legislation, passed earlier this year, after Parity's collapse, goes further to protect policyholders. Deposits with the Treasury as a security for the payment of debts have been raised from the previous maximum of £15,000 to £50,000 on long-term business, although this can be refunded at the registrar's discretion when a company has been in business at least 20 years and in a "sound financial position" for at least ten. Moreover, companies conducting third-party business must separate this from other short-term business and must then earmark to their third party business excess of assets over liabilities of £100,000, or 10 per cent of premium income, whichever is greater. For other short-term business they must set aside at least £50,000.

The new act also forbids companies to pledge any of their assets or to borrow without the registrar's permission. And it reduces,

even if it does not perhaps entirely close, one important loophole by requiring auditors to explain how they have satisfied themselves of the "reasonableness" of any estimates made by an insurance company for its published accounts.

The new legislation does not provide that earnings from underwriting be separated from investment income in a company's accounts, so the public still has no way of readily knowing whether a company's insurance business itself is actually profitable. Nor is there any specific provision requiring an even spread of a company's investments. Nor does the new law effectively increase the registrar's powers to detect actual fraud. Nor does it streamline the supervisory mechanism by providing for the appointment of a registrar who is responsible for insurance companies alone, and not for all financial institutions. Yet the crux of effective reform lies with the scope given to the registrar. Most South African insurance companies do not need special legislation to conduct a sound and honourable business. And it is very difficult to legislate effectively against outright incompetence or fraud.

The other complaint against the government that remains after the latest insurance upheavals is over the reorganisation of third-party insurance hastily undertaken after Parity's collapse by Mr Ben Schoeman, who, as Minister of Transport, is responsible for this branch of insurance. Partly, but only partly, the insurance companies have themselves to blame for what has now happened. When Parity's collapse left some 400,000 motorists without third-party cover, other insurers understandably baulked at suddenly having to accommodate this horde, especially as many of these motorists were the worst risks who had gone to Parity after being turned down by other companies. Rather irresponsibly, insurance companies temporarily transferred their third-party departments to inaccessible locations, closed their offices at peak hours, "ran out" of third-party discs, and resorted to other stratagems to avoid new business without actually refusing it.

Mr Schoeman reacted angrily by giving a monopoly of third-party business to eleven companies on terms that were suddenly made highly attractive. Each of the eleven companies will pocket 25 per cent of all third-party premium income it collects. The remainder will be paid into a pool from which the consortium will meet claims. If the pool's funds prove insufficient, the consortium will be allowed to raise premiums to cover past losses.

This guarantee of a whopping 25 per cent profit that has now been accorded to a few favoured companies is very much more than Mr Schoeman was willing to grant only a few months earlier, when he peremptorily refused the then free market permission to raise its third party premiums at all. The worst criticism, however, is that Mr Schoeman selected his few not from among all companies willing to undertake third party business, but from among a group of South African companies, prominently including some controlled by Nationalist supporters. This has been by far the most open act of discrimination yet shown against the British, Canadian, and Australian insurance companies in South Africa, though not the first. It seems a peculiarly wrong-headed approach for a government that is trying to attract further foreign investment. Understandably, South Africans have long taken increasing charge of their own economic development. One example of the right way of going about this is provided by The Trust Bank of Africa, the Afrikaans bank that is now challenging its long-established rivals so successfully in open competition. Mr Schoeman should leave South African insurance companies free to go on competing with their rivals in the same fashion.

Turn of the Tide in Britain?

Fire and accident underwriting was in the red again last year but the results—at last—show some improvement.

By no stretch of the imagination could losses of £13½ million be considered a fair reward for underwriting fire accident marine and aviation risks all over the world at premiums of nearly £1,000 million. Nevertheless, this result for 1964 was much better than the severe loss by the leading British insurance companies of £30½ million on their non-life business in 1963. American statistics for the first quarter of this year echo the mildly encouraging noises made by insurance chairmen in their annual reports; it has been the American business of British insurers that has produced the biggest underwriting losses. Given reasonable luck, this year's accounts may be back in the black. But under corporation tax marginal underwriting profits may not be good enough for insurance shareholders.

The right moves to improve profitability seem to be on foot at last. Premium rates are being increased at home and abroad and long-established practices critically reviewed. Fire insurance was tackled first. The abnormal weather of the previous winter swelled heavy losses by fire in 1963 and pushed underwriting accounts far into the red. Fire wastage in Britain has been mounting alarmingly; the cost of fires last year, without any allowance for consequential loss of production was £77 million, compared with £66 million in 1963 and £56 million in 1962.

As an interim measure fire insurance premiums for commercial industrial property in Britain were surcharged 15 per cent in December, 1963. New rating schedules have recently been introduced which should bring in a total addition of 15 per cent to the old premiums-cum-surcharge. The insurance companies will not feel the full benefit of these increases until the considerable number of three- and five-year agreements at fixed rates (for which a discount is given) have expired. In future these policies will include rate-revision clauses. The new rates are designed to equate premiums more closely with the risk run by the insurer. Thus buildings protected by sprinklers will rank for a lower rate than before, whilst some other premiums will be doubled. The insurance companies have, in addition, limited their liability in another severe winter by raising the amount of each claim for weather damage that house-owners must bear themselves (the "excess") from £5 to £15.

Most fires now—as always—are the result of sheer carelessness. But the exposure of buildings and their contents to serious fires has been greatly increased by the very large unpartitioned areas in modern factories through which a fire can spread with frightening speed. Encouragement of adequate preventive measures through differential premium rates is being reinforced with a stepped-up publicity campaign by the British Insurance Association in conjunction with the Fire Protection Association, which is maintained by the insurance companies with Home Office co-operation, and the Federation of British Industries. However, although fire business was still in deficit last year, it was accident departments that fared worst.

Motor insurance, as usual, ran at a loss, but other classes of accident insurance also caused trouble. Premiums on private car policies in Britain were increased in the autumn of 1963 with higher no-claim bonuses to sweeten the pill. Last year the British Insurance Association commissioned McKinsey & Co. to make a

Life pensions
fire accident marine

ASK YOUR INSURANCE BROKER.

LEGAL AND GENERAL
ASSURANCE SOCIETY LIMITED

Chief Administration · Temple Court, Queen Victoria Street, London, E.C.4. Telephone City 9678

make the right move NOW

You can afford life assurance right away if you are able to take advantage of the Conversion Rights Scheme.

Under this flexible plan, substantial life cover is secured immediately at a low initial cost, whilst future personal requirements may be met by conversion from time to time into other policies selected from the wide range available.

Make the right move now by asking your insurance broker or adviser about the Conversion Rights Scheme, or, if you prefer, use the enquiry form below.

To: EQUITY & LAW LIFE ASSURANCE SOCIETY LIMITED

20, LINCOLN'S INN FIELDS, LONDON, W.C.2

Please forward, without obligation, your leaflet giving particulars of the CONVERSION RIGHTS SCHEME

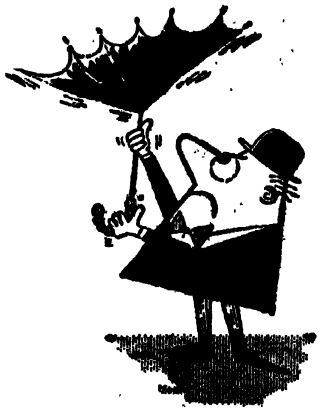
Name..... Date of Birth.....

Address.....

.....

.....

You'll be on good terms with the NORTHERN & EMPLOYERS



FOR COVER
WITHOUT
CONFUSION

THE NORTHERN & EMPLOYERS GROUP OF ASSURANCE COMPANIES
ASSETS EXCEED £234,000,000

The North ance Company Limited
The White Cross Insurance Company Limited
The Indemnity Marine Assurance Company Limited
The National Guarantee and Suretyship Association Limited
The Employers' Liability Assurance Corporation Limited
London & Scottish Assurance Corporation Limited
The World Marine and General Insurance Company Limited
The Merchants Marine Insurance Company Limited

Permanent Insurance against Sickness and Accident

If, because of illness or accident, your income is cut or even stopped a Permanent policy provides the answer—an assured income during incapacity.

A permanent policy cannot be cancelled by the company just because you have claimed heavily or often.

For particulars of how to insure your income write to

THE PERMANENT SICKNESS INSURANCE COMPANY LIMITED
7-10 Chandos Street, Cavendish Square London W1 Telephone Museum 1686

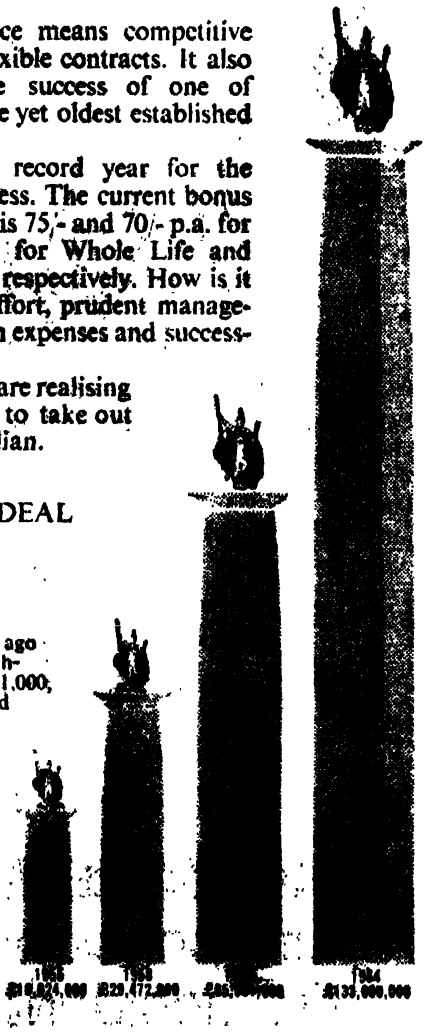
Guardian policyholders benefit from Guardian progress!

Guardian Life Assurance means competitive rates, up-to-date and flexible contracts. It also means sharing in the success of one of Britain's most progressive yet oldest established Companies.
1964 was yet another record year for the production of new business. The current bonus on With-Profits policies is 75/- and 70/- p.a. for each £100 sum assured for Whole Life and Endowment Assurances respectively. How is it done? By enthusiastic effort, prudent management, low administration expenses and successful investment.
More and more people are realising that it pays handsomely to take out a Policy with the Guardian.

YOU GET A GREAT DEAL FROM GUARDIAN

Guardian Bonuses
If you are aged 40 and 10 years ago had taken out a Guardian With-Profits Whole Life Policy for £1,000, it would already have increased in value to £1,350. Premiums paid would have amounted to only £241.5.0., but tax relief could have reduced the cost to £201.5.0.

Guardian Growth
Net New Life Sums Assured
1955 £16,624,000
1958 £29,472,000
1961 £65,031,000
1964 £133,000,000



You *too* can get a great deal from

GUARDIAN
ASSURANCE COMPANY LIMITED
Head Office Life Department,
Athene House, 66/73 Shoe Lane, London, E.C.4

thorough investigation of motor insurance in Britain. Its report, which was published in May, predicted increases in motor insurance premiums of 10 per cent per annum to keep pace with the escalating cost of claims unless drastic action was taken, and recommended that drivers should be rated instead of cars, without any no-claim bonus. Insurers should increase their efforts to control repair costs and to influence car design. McKinsey also made suggestions for "re-evaluating the methods of remunerating intermediaries." This may in the end prove the easiest way to achieve results. Rating of drivers individually without putting up costs might be hard to achieve in practice (although the French are going to try); the no-claim bonus system, with all its faults, does impose a fairly stiff penalty on accident-prone drivers.

The composite insurance companies have already grasped the nettle of commission terms in their fire departments. A reduction for motor business should thus be practicable. When the surcharge of 15 per cent was put on fire premiums in 1963, the commission paid to agents by the tariff offices was cut from

Table I.—*Underwriting Experience of 17 Offices*

Company	Fire Insurance: Premiums	Claims	Expenses (excl. commission)	Commission	Profit	Fund at end of year*	Accident and Miscellaneous Insurance: Premiums	Claims	Expenses (excl. commission)	Commission	Profit	Fund at end of year*
	£000's	%	%	%	%	£000's	£000's	%	%	%	%	£000's
Century	3,201	66·6	29·2	18·2	−9·9	1,620	4,708	57·2	23·7	16·1	6·9	3,987
Commercial Union	46,512	56·7	23·9	19·9	−3·9	35,158	73,318	64·5	19·6	16·7	2·2	36,662
Co-operative	3,063	48·5	16·0	22·8	7·2	2,071	17,696	62·4	16·9	15·7	4·1	10,564
Eagle Star	8,646	58·4	20·7	19·9	−7·2	4,145	29,840	60·7	16·9	15·6	0·3	12,761
General Accident	17,634	56·5	15·6	24·0	0·8	15,153	88,510	67·4	13·9	17·2	3·2	42,704
Guardian	16,309	58·4	24·3	21·4	−6·7	8,000	33,015	62·3	17·1	17·1	0·3	13,459
Legal & General	4,588	44·1	29·4	16·0	8·3	2,301	5,449	53·7	23·3	12·6	1·1	3,715
London Assurance	13,119	58·3	22·1	22·1	−3·7	7,007	23,245	68·0	18·0	16·7	5·9	9,298
Northern & Employers	24,606	61	19·7	22·9	−6·7	13,011	69,336	66·1	16·8	18·4	5·1	27,734
Norwich Union	11,609	48	25·9	20·6	2·9	5,456	22,029	63·9	24·7	14·4	5·0	9,359
Pearl	2,719	51	38·3	17·0	−9·4	1,179	6,218	62·5	26·4	13·9	7·4	2,570
Phoenix	15,099	57	20·9	24·0	−4·6	7,550	29,605	61·1	21·6	16·9	0·2	11,846
Prudential	6,939	47·5	31·4	16·6	0·2	3,134	18,095	54·9	25·9	12·9	0·6	8,210
Royal	81,383	55·2	21·3	22·5	−1·3	61,553	140,944	64·8	16·8	15·8	0·5	62,378
Royal Exchange	17,221	52·9	27·1	19·0	−1·3	8,611	37,769	61·8	22·8	13·3	2·2	15,108
Sun Alliance	24,623	54·7	23·7	18·5	4·6	11,168	29,145	58·1	20·4	16·9	0·6	12,533
Yorkshire	5,574	51·2	28·2	17·9	−0·1	2,502	14,853	60·4	20·3	15·2	1·1	6,076
Total 1964	302,845	55·6	22·8	21·2	−2·0	189,619	643,775	63·8	18·3	16·2	−1·9	288,964
1963	287,069	64·0	23·4	22·8	−8·8	182,937	583,753	64·7	19·0	16·2	−2·3	263,779
1961	275,440	63·0	22·8	21·9	1·5	178,844	509,322	62·4	18·9	16·3	0·5	238,070
1959	251,178	50·5	23·0	22·4	2·0	162,323	436,038	60·6	18·4	17·0	1·6	203,037
1954	189,237	48·6	23·0	22·1	5·4	118,078	266,907	55·8	19·1	17·8	5·2	128,793

*Reserves for unexpired risks, estimated liability under outstanding accident and disability claims, and additional departmental reserves (where maintained).

Table II.—*Insurance Earnings and Dividends, 1964*

Company	Total Premium Income* (1)	Underwriting Profits: Net Trading Surplus or Deficit* (2)	Ratio (2) to (1) (3)	Transferred from Life, Annuity and Capital Redemption Funds (4)	Total (2) + (4) (5)	Earnings and Dividends: Net Interest Earnings*† (6)	Ordinary Shareholders' Earnings (net) (5) + (6) (7)	Net Ordinary Dividends (8)	Ratio (7) to (8) (9)	Ordinary Shares: Price, July 16th, 1965 (10)	Yield per cent (11)
		£	%	£	£	£	£	£	%		
Commercial Union	125,789,795	3,664,535	−2·9	622,200	3,042,335 a	6,153,728	3,111,393	3,779,837	0·8	45/3	4·9
Eagle Star	42,285,578	1,303,248	−3·1	619,070	684,178	2,649,223	1,965,045	1,907,423	1·0	58/9	4·6
General Accident	107,333,639	3,226,638	−3·0	240,792	2,985,846	5,109,919	2,124,073	2,654,438	0·8	47/3	3·9
Guardian	58,075,990	2,510,939	−4·3	288,511	2,222,428	3,479,344	1,256,916	1,385,678	0·9	33/9	3·9
London Assurance	42,083,443	1,320,244	−3·1	130,000	1,190,244	1,713,064**	522,820	871,786	0·6	57/9	3·0
Northern & Employers	101,672,192	4,321,696	−4·3	1,583,000	2,738,696	3,558,546	819,850	1,499,538	0·5	122/6	3·8
Norwich Union	37,112,354	680,895	−1·9	95,566	591,329 b	775,904	184,575	229,688	0·8	c	c
Phoenix	49,128,331	974,353	−2·0	75,000	899,353	2,188,038	1,288,685	1,229,860	1·0	117/6	5·3
Prudential (d)	25,670,177	62,849	−0·2	43,312	19,537	844,011**	824,474	587,777	1·4	19/9e	3·6e
Royal	234,011,182	1,936,167	−0·8	328,381	1,615,786	9,158,218**	7,542,432	6,152,944	1·2	38/3	4·4
Royal Exchange	58,225,842	1,895,816	−3·3	267,626	1,628,190 f	2,431,091	802,901	1,475,117	0·5	75/9	4·9
Sun Alliance	59,094,296	143,052	−0·2	179,383	36,331	2,242,290	2,278,621	1,717,409	1·3	58/3	4·5
Yorkshire	22,472,868	510,057	−2·3	247,569	262,488 g	677,532	415,044	450,000	0·9	43/3	3·8
Total 1964	963,	− 22,556,489	−2·3	4,712,410	17,844,079	40,900,908	23,136,829	23,941,495	0·9		
1963	887,	− 30,747,599	−3·5	3,585,104	27,162,495	38,119,457	10,956,962	23,898,956	0·5		
1961	805,	− 7,960,607	−1·0	1,094,972	6,065,635	34,026,972	27,961,337	21,988,475	1·3		
1959	11,	− 791,937	−0·1	1,461,680	669,743	24,892,437	25,562,180	16,777,462	1·5		
1954		6,106,610	1·3	896,380	7,002,990	13,874,743	20,877,733	9,475,169	2·2		

* Excluding life annuity and capital redemption business. † After debenture interest and preference dividends. ** Estimated. (a) Before £650,000 from contingencies reserve. (b) Before £20,000 to general reserve. (c) Shares held by Norwich Union Life Insurance Society. (d) General branch only, i.e., all business other than life and annuity; £10,000 plus one-quarter of the net profits belongs to the "A" shareholders and the remainder to the "B" shareholders. (e) "B" shares. (f) Before £548,758 from investment reserves and £1,031,536 released on merger of the parent company's life and annuity funds. (g) Before £3,325 to subsidiaries' reserves.

15 per cent to 14 per cent. Under the new rating schedule the commission payable to insurance brokers was restored to 15 per cent of premiums but that allowed to agents has been cut to 12½ per cent. There seems to be at least as good a case for reappraisal of commission terms in motor insurance as in fire.

For the past five years the aggregate expense ratio (the proportion of premiums absorbed by commission and management expenses) of the non-life business of the leading composite insurance companies, whose results are summarised on the preceding page has hovered around 38½ per cent. Amalgamations and computerisation have only staved off a rise in costs. A fall of one percentage point in the expense ratio of these offices would have raised their net earnings in 1964 from £23½ million to about £28 million. American insurance companies have shown that economies of this order are feasible; the Continental group (of New York), which bought a stake in the Phoenix in 1963, reduced its expense ratio by 1½ percentage points over the two years to March, 1965, on premiums of some $500 million.

Burglary insurance, too, did badly in 1964. Although nothing as spectacular as the Great Train Robbery hit the headlines last year, claims were heavier than ever before. Premiums have recently been sharply increased, reflecting the big rise in thefts of high unit value goods that can be easily transported and disposed of in small lots. Claims under policies covering money in transit have been so costly that premium rates are now four times as high as in 1960.

Ten Years' Trading (£mn.)*

	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
Non-life premiums	500·2	581·7	634·6	661·2	701·9	750·5	805·8	838·3	887·7	963·8
Underwriting profits from :—										
Fire business	10·9	3·6	2·4	6·7	4·5	3·4	3·3	−10·0	−23·2	−6·0
Accident business	7·6	−2·8	−3·5	−2·2	6·6	3·8	1·8	2·3	−11·9	−12·1
Marine departments	4·6	4·1	3·5	2·3	2·7	4·1	5·1	5·0	4·9	4·8
Including USA business	3·2	−10·9	−19·4	−11·8	−2·8	−4·0	−6·3	−2·8	−10·7	−16·3
Expense ratio (1) ....%	40·6	40·5	39·7	39·5	39·0	38·5	38·6	38·4	38·5	38·6
Life department profit (2)	1·1	0·9	1·0	1·3	1·5	2·4	1·9	2·2	3·6	4·7
Net trading profits (3)	5·3	−4·5	−7·6	−4·0	0·7	−1·0	−6·1	−12·2	−27·2	−17·8
Net interest income (4)	16·1	18·0	19·5	21·4	24·9	29·4	34·0	36·5	38·1	41·0
Ordinary shareholders' earnings (net)	21·4	13·5	11·9	17·4	25·6	28·4	27·9	24·3	10·9	23·2
Net cost of dividends	10·5	11·2	11·8	13·1	16·8	20·8	21·9	23·5	23·9	23·9

* By the offices included in Table II. (1) Fire and accident departments. (2) Shareholders' proportion of surplus (net of tax) from life, annuity and capital redemption business. (3) From all departments, after pension provisions and tax. (4) From non-life assets.

After a lull since 1961, when the London and Lancashire was absorbed by the Royal, insurance mergers have become a live subject again. The amalgamation of the venerable but vigorous London Assurance with the Sun Alliance (itself formed only six years ago), after an offer from the Phoenix Assurance had been rebuffed, is a reminder that the indefinite independence of some of the smaller composite offices cannot be taken for granted. This is especially true where the company has American business. In that market the dice are loaded against the smaller insurer and a premium income of $100 million is often suggested as the normal minimum needed for viability. It is therefore no coincidence that in the two major deals in the last three years involving British insurance companies, Phoenix-Continental and London-Sun Alliance, a weak American business was the crucial factor. This leaves four large British operators in the American market (Commercial Union, General Accident, Northern and Employers, and the Royal) and several small ones (see Table III on page xv). No one would be surprised to see further amalgamations among insurance companies in the next few years, especially where one or more of the companies has a difficult American business.

Gone are the days when insurance companies could rely on paying their dividends out of interest income with a useful margin in hand to plough back in addition to the underwriting profits that could be relied on in most years. Table II has been recast to reflect the sea-change that has taken place since 1955. Interest income has been buoyant enough to make good the underwriting losses, but dividends have been stepped-up at the expense of allocations to free reserves. Within the long run these need to be kept in step with expanding premium income. Hitherto the gap has been filled by raising new equity capital by rights issues. Nearly all the companies included in Table II have raised money in this way since 1954, the total proceeds being £135 million. Finance of this type is unlikely to be as cheap under corporation tax.

For this reason pressure on the composite companies to get their underwriting accounts on to a profitable basis will increase. For shareholders, the fiscal changes mean thinner cover for dividends immediately and perhaps a longer delay before any underwriting improvement is translated into higher dividends. Nevertheless, the prospects of better underwriting results now seem closer than for some time. Optimists are even looking forward to a return to underwriting profitability this year, for the first time for a decade.

United States No Relief Yet

New York

The underwriting results of American insurance companies showed a further deterioration last year, in spite of an expansion in total business written and the persistence of the trend towards lower expense ratios. Premium income of some 1,200 non-life companies rose about $1.2 billion to $17.5 billion; but there was an underwriting loss of $276 million, representing 1.6 per cent of earned premiums, against 1.0 per cent in 1963.

Like their British counterparts, the American companies have survived the storm through the buoyancy of their investment income. By enabling them to add to reserves and continue dividends this has prevented too wide a disenchantment with insurance company shares. Within the industry itself, however, and also among several state supervisory officials, concern has been growing and the tendency to rely upon investment income to make good the losses in the industry's primary business—underwriting—is regarded as short-sighted and unwise.

To British insurance men the problem so far will seem familiar. So will the root causes: progressive deterioration on the motor account and an equally relentless tendency towards higher risk of loss on the fire account. This in turn reflects an increase in both the incidence and damage caused by fires in new buildings.

But the parallel stops there. The American market has two aggravating factors, peculiar to itself. One is the control over premium rates exercised by the state authorities. The other, which has been noticeable only in recent years, has been a tendency, on the part of some insurers, to accept business with little likelihood of showing an underwriting profit on it. So long as the investment income and capital gain on the extra funds outweigh the underwriting loss, accepting it is justified: or so some insurers have been arguing. The result has been that some

A constant factor over the centuries . . .

To the men who first transacted business for Royal Exchange Assurance in 1720, the dress of today would have appeared strange indeed. Yet, despite changing fashions, the principles of insurance have not altered. The "Royal Exchange" offers the same reliable service in the twentieth century as it did for its eighteenth century clients. The difference is that by merger of interests and association, this group organisation is now able to provide transactions on a world-wide scale: quicker and more efficiently than ever before.

ROYAL EXCHANGE ASSURANCE Group of Companies

ATLAS ASSURANCE COMPANY LIMITED · BRITISH EQUITABLE ASSURANCE COMPANY LIMITED · CAR & GENERAL INSURANCE CORPORATION LIMITED
ESSEX & SUFFOLK INSURANCE COMPANY LIMITED · LOCAL GOVERNMENT GUARANTEE SOCIETY LIMITED · MOTOR UNION INSURANCE COMPANY LIMITED
NATIONAL PROVINCIAL INSURANCE COMPANY LIMITED · STATE ASSURANCE COMPANY LIMITED · UNITED BRITISH INSURANCE COMPANY LIMITED

Royal Exchange Assurance

Head Office: ROYAL EXCHANGE, LONDON, E.C.3

Incorporated by Royal Charter in 1720

CORPORATION OF
CIB
INSURANCE BROKERS

Founded 1906

The Best Policy

Life, Limb, Property, Boats, Trains, Planes, Cars. . . . You name it, Insurance covers it. When you want the best policy, consult an **Incorporated Insurance Broker** who is a Member of the Corporation of Insurance Brokers. He is qualified, independent, and covers the whole market for you at no extra cost.

List of members from : The Secretary, Corporation of Insurance Brokers, 15, St. Helen's Place, Bishopsgate, London, E C.3.

KEEPING IT UNDER YOUR HAT . . .

. . . is not always the best policy. A quiet word in our ear concerning your life assurance problems will give us the opportunity to offer you a sound policy; for we have specialised for many years in offering all types of life assurance policies at realistic premiums. We shall be glad to help *you*, and by filling in the coupon below you will receive further details *without obligation* to enable you to decide for yourself.

The Secretary and Actuary, **UNITED KINGDOM PROVIDENT**
33-36 Gracechurch Street, London, E.C.3. Mansion House 6543
I would like particulars of the items I have marked with an 'X'

- ☐ ENDOWMENT ASSURANCE
- ☐ FAMILY MAN'S BENEFITS
- ☐ WHOLE LIFE ASSURANCE
- ☐ PROVISION FOR EDUCATION
- ☐ CONVERTIBLE WHOLE LIFE
- ☐ RETIREMENT PENSION POLICIES

NAME ..... Date of Birth .....

ADDRESS .....
Econ. 24.7.65

YOUR PROBLEMS ARE OUR BUSINESS

YOUR ESTATE?

We produce expert, individually-designed plans employing a wide range of Life Assurance contracts which can increase your income and lighten the ultimate burden of Estate Duty for your heirs.

YOUR CHILDREN'S EDUCATION?

We arrange your investment in your children's education by planned expenditure to suit your means, ensuring that all future school fees will be paid in the event of your premature death.

YOUR FUTURE?

We offer guidance through the myriad of Unit Trust-linked policies, and other life assurance and annuity contracts available on the market, to those which will provide you with the right medium for investment, for house purchase finance, or for provision on retirement or death.

PROFESSIONAL ADVISERS
are invited to employ the full technical services of the Division on behalf of their clients.

Consult the leading experts now

NOBLE LOWNDES LIFE BROKERAGE DIVISION LIMITED

A MEMBER OF

The Noble Lowndes Group

Head Office:
NOBLE LOWNDES HOUSE, LOWNDES STREET, LONDON S.W.1
Telephone: BELgravia 2011

(Offices throughout the U.K., in Eire, Australia, New Zealand, South & East Africa and Malaysia. Associates in Rhodesia, Zambia, the U.S.A., Canada and the Continent of Europe.)

premium rates have been driven down by competition to levels that are manifestly unprofitable, without the benefits from Wall Street. It is against this trend of thinking that something of a reaction has developed in recent months when Wall Street itself has become less alluring.

This still leaves the other problem, which has always been the insurers' favourite scapegoat—the need to secure approval for higher rates from the state insurance authorities. Part of the problem is simply administrative. Requests for rate increases, to all but a few of the 50 state authorities, must be accompanied by statistical information and other data designed to support and justify the changes. Next the insurers must overcome the political unpopularity of rate increases. The attitudes of state insurance commissioners who are either elected directly, or appointed by elected officers, faithfully reflect their electors' opinions on so delicate a question. Just how far this sensitivity to public opinion actually prevents or delays rate increases is open to question. What does seem fairly certain is that insurers find the going harder in some states than others. Although any insurer tends to do best on business nearest his traditional area, where his main office would probably be, the states in the North and East are usually regarded as of above average profitability. California seems to be considerably less attractive, but improving, and the states in the South the least attractive. Common to all states is the problem that when new rates are eventually fixed, they may be based on statistical data that is itself perhaps two years old. With experience on two crucial accounts, fire and motor, showing a consistent trend for the worse, a lag of this order can be enough to put the companies' underwriting accounts into the red every year. But once again the problem is easing: the lag, which arises from delays in the compilation of statistics and their consideration by the state authorities, is tending to shorten.

Apart from pressing for rate increases, insurers have attacked their problems from another angle. Classification of risks has been further improved and refined. Although risk classification in the United States is far more advanced than in Britain, the objective is the same—to achieve a closer relationship between premium level and risk, and thus reduce the tendency for good risks to subsidise the bad. But insurers' efforts in this direction, combined with the controls over premium levels, have produced their inevitable synthesis. The appropriate levels of premium for some risks are above the ceiling and the business is therefore unacceptable to most insurers. Meanwhile competition for the better risks drives down rates to the limit of profitability or beyond.

The implications of this emergence of a category of unacceptable risks are serious. In the motor field this substandard market has spawned its own special breed of marginal companies serving it. And in the big cities and industrial areas, where slums abound and dwellings have developed the infirmities of age and have gathered a congested mass of the economically deprived, markets for fire insurance have become tight or non-existent. The situation, which is a logical outcome of attempts to fix the price of an essential service below its market price, could eventually develop into a political battleground from which insurance companies would find it hard to escape.

For the British insurance industry, the American market is crucial. Over half of its non-life premium income comes from overseas, the lion's share of it from North America. British experience in this market is summarised in Tables III and IV. Over ten years underwriting losses have totalled (on the American accounting basis) $248 million, but interest income covered this by a margin of $240 million. Of this, $202 million was remitted home and the remainder ploughed back. These statistics are used by British insurers to justify remaining in the difficult North American market. Other observers have asked whether the flow of income is in fact commensurate with the industry's massive investment there, which could no doubt be liquidated with immediate benefit to Britain's balance of payments. But it is important to remember that a significant proportion of the industry's large holdings of American securities represents prepaid premium income and claims outstanding but not settled, and is therefore inseparable from the companies' underwriting operations. Not all of the investments are reserves.

So the relevant comparison is between the resale value of the American business, which would depend upon the size of premium income, the quality of the business, the value of the company's trade connections, name, standing, and so on, on one hand, and on the other the flow of income over a suitably long period. Finally,

Table III.—*United States Business of British Insurance Companies ($'000)*

Company	1962				1963				1964			
	Premiums	Underwriting Profits	Interest Earnings*	Branch remittances and subsidiaries' dividend.	Premiums	Underwriting Profits	Interest Earnings*	Branch remittances and subsidiaries' dividends	Premiums	Underwriting Profits	Interest Earnings*	Branch remittances and subsidiaries' dividends
Royal	296,344	−70	17,819	17,771	310,750	−2,020	17,941	9,094	324,976	−5,216	19,025	8,242
Commercial Union	134,752	−8,416	9,114	3,733	117,633	−8,821	9,305	3,033	121,156	−11,327	9,539	4,082
General Accident	132,972	845	9,347	3,068	156,404	−8,228	11,803	3,674	163,197	−10,670	12,082	3,500
Northern & Employers	120,845	3,185	6,629	−614	135,649	−2,493	7,250	−498	147,401	−9,660	7,788	1,978
Phoenix	54,188	−4,466	2,990	280	59,495	−4,424	3,076	285	61,066	−3,782	3,296	264
London Assurance	38,440	1,677	2,152	186	41,366	−2,050	2,274	844	42,957	−2,181	2,385	1,947
Sun Alliance†	25,343	221	1,721	1,150	27,675	−213	1,701	1,198	36,811	−2,677	2,057	1,111
Royal Exchange†	18,222	−419	1,219	52	18,177	−867	1,116	39	−391	1,696	1,059	32
Pearl	17,549	−1,983	1,334	229	16,910	−2,574	1,374	129	16,186	−2,263	1,399	166
Prudential	12,046	−310	544	150	9,282	−286	601	150	9,139	−294	579	150
Century	5,041	−751	508	218	3,366	−235	507	210	2,027	89	499	272
Guardian	4,712	−87	410	52	5,011	−355	466	175	5,077	−511	475	115
Co-operative	3,588	−419	155	40	2,418	351	176	40	1,689	180	176	40
Eagle Star	3,004	134	257	−56	3,183	−199	271	−153	5,474	−920	303	−38
Total	867,046	−10,859	84,199	21,089	907,319	−32,414	57,861	18,220	936,765	−47,536	60,662	21,861

Source: *Best's Insurance Guide.* (1964—*Spectator Insurance Index*). * Gross interest dividends and rents less investment expenses. † Under one management in the USA until the arrangement was terminated during 1964, when the US business of the Royal Exchange was substantially reduced.

an allowance should be made for the rate of growth of the American insurance market as a whole, which would affect one's estimate of the minimum acceptable level of yield.

Table IV.—*United States Business of British Insurance Companies and their American Subsidiaries ($'000)*

Year	Total premium income (a)	Underwriting profits (b)	Investment earnings* (c)	Total earnings in America (b) + (c)	Percentage of total earnings remitted home
1955	633,170	7,808	37,933	45,741	39
1956	711,783	− 33,504	41,036	7,532	226
1957	770,850	− 58,373	42,893	− 15,480	(a)
1958	776,667	− 34,404	44,771	10,367	138
1959	806,890	− 8,258	46,604	38,346	57
1960	842,782	− 12,423	49,780	37,357	72
1961	855,301	− 18,554	52,959	34,405	77
1962	867,046	− 10,859	54,199	43,340	48
1963	907,319	− 32,414	57,861	25,447	72
1964	936,765	− 47,536	60,662	13,126	167

Source: *Best's Insurance Guide.* (1964. *Spectator Insurance Index*)
* Gross interest dividends and rents less investment expenses. (a) Remittances home, $16·6 million.

Insurance Shares, Ex Finance Bill

INSURANCE company taxation is complicated. The Finance Bill was long, and has been heavily amended. No doubt it is difficult to assess the prospects for insurance shares. Yet the investor cannot use these complications as an excuse for frozen inactivity. Far-reaching though it is, the introduction of the capital gains tax will leave a considerable range of the investment problems of insurance companies unaffected. Thus, the pension annuity funds continue to be exempt from specific taxation of either income or capital gains. Again, the non-life funds continue to be taxed equally on income and capital gains, so that the relative values of £1 of income and £1 of capital gain are unchanged, although the rate of tax on both may change.

What has changed is the position of the ordinary life assurance funds. Hitherto, these funds have normally paid no tax on capital gains but they have paid tax at 7s. 6d. in the £ on interest income (less allowable expenses). Experts in the life offices seem to agree that the major change arising from the bill is an impost at this 7s. 6d. in the £ rate on realised capital gains too; but how significant this will be is not immediately obvious. During 1964 sales of securities by life funds realised some £797 million, including £706 million from fixed interest securities. It is at least possible that this group of sales showed an overall net loss. The realisation of £91 million from the sale of equities may have produced some large profits, but it would be excessively flattering to investment managers to assume that they never make bad mistakes in the equity market.

At present that part of the £91 million which is profit goes to inner reserves. In future the amount going to inner reserves will be diminished by any tax charge. Will the build-up of inner reserves be so attenuated that it will be necessary to withhold part of the disclosed profits, out of which bonuses and shareholders' allocations are drawn? If so, bonuses and shareholders may suffer. But so long as recent experience is repeated, the amounts involved do not seem great enough to justify fears of cuts in bonuses or shareholders' allocations. The amounts payable could be larger if, as a result of a considerable fall in interest rates, fixed interest sales began to generate material profits. And against these taxed profits would have to be set the lower interest yield on new money.

The gilt-edged market itself is a separate problem. The Bank of England estimates that insurance companies were responsible for 26 per cent of all turnover in long-term gilt-edged stocks in the fourth quarter of 1964. No estimate is given of the Bank of England's own share, but it is a common belief in the market that official turnover may well contribute as much as a half—so that the insurance companies are responsible for half of all non-official trading. Some insurance companies already believe, rightly or wrongly, that they can use their skilled investment manpower more profitably than in gilt-edged switching. If this belief spreads among other offices which have hitherto been active in the gilt-edged market, some experts believe the tax will ultimately raise the cost of servicing the national debt, and the cost of all fixed interest finance to industry (via the link with gilt-edged). This is problematical. What is certain is that stockbrokers and jobbers will be hardest hit of all; but the effect on bonuses and shareholders' allocations out of life funds will be minimal.

So long as present trends continue, therefore, little extra taxation will be payable by life assurance funds. But if growth were to cease or be reversed, this would necessitate heavy realisations and the ensuing capital gains would attract considerable new taxation. So one could justify a practice of strengthening reserves to provide for the taxation that would in theory be payable if stocks were sold. This is not likely to become widespread. Many offices still concentrate on original cost rather than on current market values in fixing bonus policy and, taking no credit for appreciation, they will logically need to make no provision for diminution of that appreciation. On the other hand, those offices that make special distributions out of unrealised appreciation may need to act more cautiously.

The investor in the shares of life offices still cannot relax completely, since he may yet be caught by corporation tax. It is a typical practice for the distributable surplus of a life fund to be split, with 90 per cent going to policyholders as bonuses and 10 per cent to shareholders. In the past both of these allocations were free of profits tax and income tax, and that position is unchanged for bonuses. Unfortunately, the experts disagree even now about the tax liability on the shareholders' allocation. One view goes so far as to say that it will attract full income tax if it is distributed. The opposite view is that, as hitherto, it will be regarded as an onward transmission of franked income. Inevitably, compromise propositions arise. In those offices where the division of surplus is by custom at the discretion of the board the shareholders' nominal allocation may be increased to maintain the balance of net allocations, if that should be necessary. But some offices, by custom—or by more binding legal arrangements—have an unchanging division and shareholders in those offices are in some danger of a substantial dividend cut. How serious a danger or how great a cut depends very much upon which expert one consults. Lesser men can only hope that an agreed view will not be too long emerging.

Tougher for the Composites

Life assurance, however, contributes little to shareholders' dividends in many offices, since non-life business is dominant. For this side of the business, the introduction of corporation tax is the important factor, while capital gains taxation is less significant. For a group of eleven offices which, in 1962 contributed 78 per cent of all non-life premium income of offices established within

Clients' Brokers and Brokers' Clients...

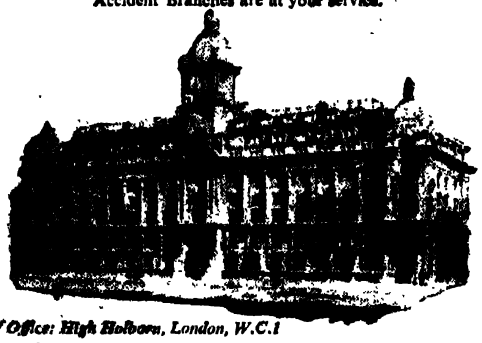
...who come to us
come to rely on us.
They soon get to know
we are always as good
as our words... *'Yours for Life'*

THE STANDARD
LIFE ASSURANCE COMPANY
Established 1825 Assets exceed £450,000,000.
HEAD OFFICE: 3 George St., Edinburgh 2.
LONDON OFFICES: 3 Abchurch Yard, Cannon St., E.C.4
57/58 Pall Mall, S.W.1.

SL 240B

INSURANCE SERVICE

For over a hundred years the Pearl Assurance Company has been rendering a valuable and personal insurance service to millions of families in their homes.
Today, therefore, we are well qualified to assist you in solving your insurance problems and our Life, Fire and Accident Branches are at your service.



Chief Office: High Holborn, London, W.C.1

Face the future with **PEARL** *assurance*

Share purchase through Endowment Assurance . . .

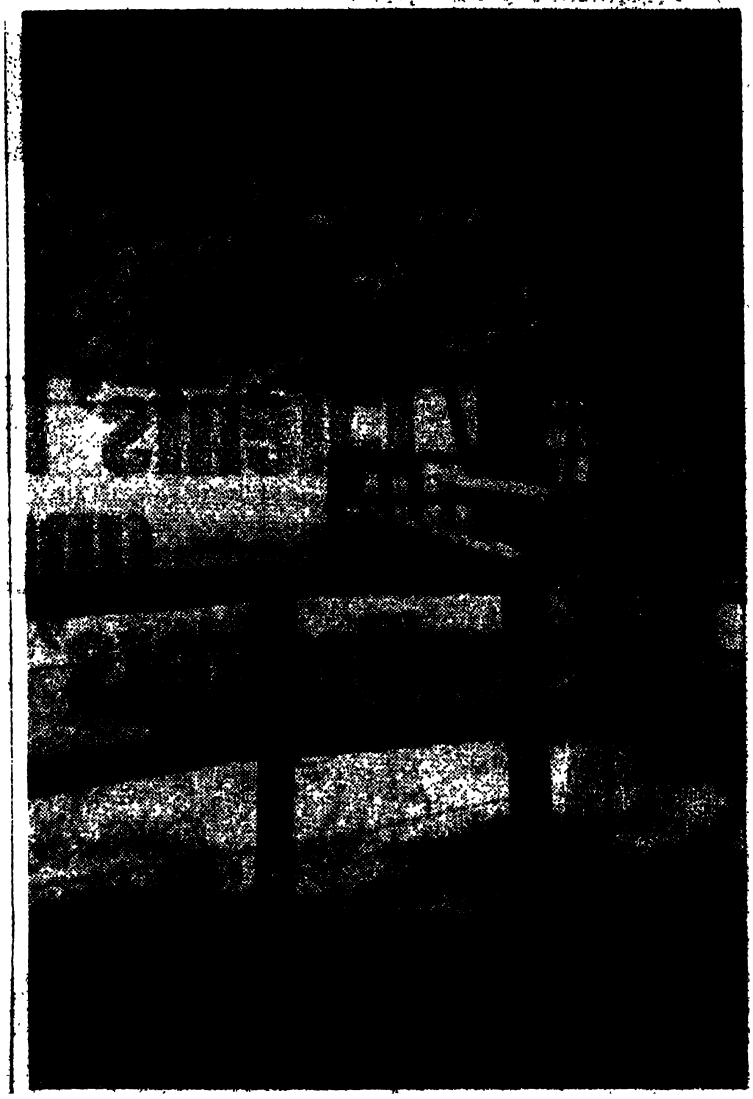
Invest immediately up to one year's income in leading Investment Trusts of your own choice. Pay for your holdings over 15-25 years by a planned system incorporating life assurance and its associated tax reliefs

for details apply to:

Morice, Tozer & Beck

(LIFE & PENSIONS) LIMITED
Forum House, 15-18 Lime Street, London, EC3
MANsion House 9132

who offer these facilities for and on behalf of the
LONDON AND MANCHESTER ASSURANCE CO LTD



We jumped clean over!

no fence sitting for us.

How many Companies sit complacently on their fence, neither daring to let go the old traditions, nor being courageous enough to get down and face the future with new methods and ideas.
We jumped over our fence years ago and brought a breath of fresh air into the Insurance World. To-day we are encouraged to find that many other British Insurance Companies are *considering* following our lead. (Is imitation the *sincerest* form of flattery?) We ourselves, naturally enough, have many more ideas for the future, for only by *continually* keeping up with the changing times can progress be sustained.

THE VEHICLE & GENERAL INSURANCE CO. LTD. (EST. 1923)
AUTOMOBILE & GENERAL INSURANCE CO. LTD.
THE GENERAL & COMMERCIAL MOTOR INSURANCE CO. LTD.
OCCIDENTAL LIFE INSURANCE CO. LTD.
Administrative offices:
Argyle House, Joel Street, Northwood Hills, Northwood, Middlesex. Tel: Northwood 39131 (20 lines)

Great Britain, the effect of corporation tax can be estimated as follows:

	Actual 1964	Allowing for Corporation Tax 1964
	(£ million)	
Investment Income	58·0	58·0
(Of which assumed to be franked)	(9·7)	(9·7)
Underwriting Losses	−12·4	−12·4
Life profits, etc., less other expenses	−6·6	−6·6
Net profit before tax	39·0	39·0
less taxation on company	17·1	11·7
Net amount available	21·9	27·3
Dividend cost	22·2	37·1
Cover	0·99	0·74

While these calculations do involve a number of assumptions, the message is clear. The composite offices must make profits on non-life business if they are going to maintain dividends. Even allowing for the natural growth of investment income, to pay the same dividends in 1965 as in 1964 and to have the same cover as in 1964 the offices will need to eliminate the net loss of £12.4 million on non-life business. Will they succeed?

The 1964 results include some benefit from premium increases in October, 1963 (fire), and December, 1963 (motor). Further increases have taken place this year, but clearly this trend on its own is generating complaints without eliminating losses, and policyholders are questioning whether their premiums are being spent wisely, especially as barely two-thirds comes back in claims paid. In 1963 expense ratios on fire business ranged around 42 to no less than 50 per cent, for accident business the range was 32 to 40 per cent: the scope for reduction by mechanisation, rationalisation consequent on mergers and more efficient management must be immense. The report on motor insurance by McKinsey & Co. points the way ahead here. It is possible, one hopes, that 1965 will see gross dividends fully covered notwithstanding the corporation tax and that 1966 will see the beginning of substantial profits.

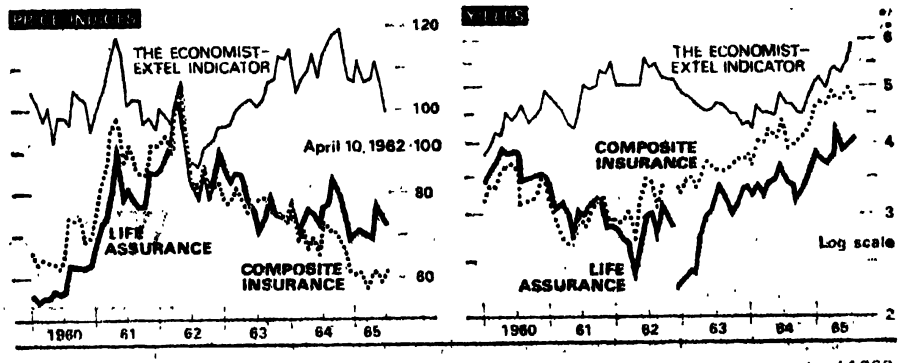
At present, share prices reflect the depressed level of all equity markets, the adverse effect of corporation tax and the poor underwriting results of past years. They do not make much allowance for the light at the end of the tunnel but, if the hopes of a new trend in profits are justified, then there are clearly bargains to be found. To find them one will look for evidence that management is being improved, that rationalisation in merged offices is being carried forward ruthlessly and that greater discrimination is being made in selection of risks and rate fixing.

A few years ago, it was strongly argued that premium incomes kept pace with retail prices better than any other income flow and, therefore, that a purchase of composite insurance shares was the best possible inflation hedge. This argument implied that the rate of profit per £ of premium would be maintained, indeed one heard talk of a 5 per cent profit margin being maintainable year in year out. Instead heavy losses emerged and the share price performances were disastrous. If the industry can now get back on the right lines, many of these old forecasts could yet come true.

The 1960 boom in insurance shares eventually carried them to a peak of 40 per cent above present levels. Between January 1960 and April 1962, while the yield on *The Economist*-Extel indicator was edging up, yields on both categories of insurance shares were falling as their popularity increased. After April 1962 the movement reversed itself. Yields on insurance shares nearly doubled. Investors became depressed by the composite offices' underwriting difficulties. Life office shares suffered from the growing suspicion of all low yielding shares and from rising political fears—fears of a revamped State pension scheme, of restrictions on property development, and of interference with life offices' investment policies. Insurance shares now stand well below their 1962 peak, while all shares, as measured by *The Economist*-Extel indicator have fallen only 16 per cent since 1961. Accordingly, the investor who has not forgotten the reasons for the previous insurance share boom, and believes that recovery may be at hand and that political fears were exaggerated, now has a useful opportunity to climb on the wagon.

There have been indications recently that some investors have begun to think along these lines. Life assurance shares have been weakening, but less than shares in general; composite insurance shares have actually been tending to harden against the general trend. Indeed, a fortnight ago in this section of an otherwise listless stock market, there were unmistakable signs of buying activity.

INSURANCE SHARES – Favour and Disgrace



Insurance share indices and yields are derived from Actuaries Investment indices up to April 1962 for share prices (November 1962 for yields) and from F.T.-Actuaries Indices afterwards.

Table V.—*Investment Transactions of Insurance Companies* *

	1962			1963			1964		
	Acquired	Realised	Net investment	Acquired	Realised	Net investment	Acquired	Realised	Net investment
	£mn	£mn	£mn	£mn	£mn	£mn	£mn	£mn	£mn
Mortgages, including policy loans	211	101	110	214	121	93	260	125	135
British Govt. and Govt. Guaranteed Stocks	927	778	149	718	620	98	743	655	88
British Municipal, Overseas Govt. & Municipal Stocks	79	64	15	94	61	33	63	61	2
Debenture stocks	139	40	99	197	51	146	238	49	189
Preference shares	20	11	9	34	11	23	28	14	14
Ordinary shares	183	97	86	243	124	119	266	109	157
Other investments	4	2	2	3	4	−1	5	2	3
Property	65	14	51	72	10	62	76	19	57
Cash and assets with less than twelve months to maturity	—	—	38	—	—	44	—	—	28
Total	1,628	1,107	589	1,575	1,002	617	1,679	1,034	673

Source: *Board of Trade Journal*; the figures are cash paid and received. * UK insurance companies that are members of the British Insurance Association and friendly societies transacting life assurance business, excluding assets of overseas branches and subsidiaries.

A Consumer's Guide to Life Assurance

Here is a child's guide through the maze of life assurance terminology combined with a consumer's guide to the relative value offered by various life offices. The detailed comparisons in the table on page xxi are the latest in a series we have made at five-year intervals since 1950.

ALL life assurance represents a combination of investment on the one hand and simple insurance against death on the other. To some degree, variations in types of policies simply reflect variations in the relative weight given these two elements. The choice for the man who is putting aside a pound or two a week is between more insurance and less capital accumulation, or more of the latter and less of the former.

The big table on page xxi and the smaller ones on this page show that many policyholders get somewhat less for their money than they could. Partly, this reflects a widespread, cautious preference for the types of policy that give greater weight to insurance than to investment. But in part, the tables suggest also that many people are simply unaware of the very considerable differences in value offered by the 48 principal life assurance offices. Admittedly these comparisons are a measure of past rather than present investment policy on the part of the assurance companies, but they remain about the only guide there is to relative performance.

Now for some elementary definitions and generalisations, even at the risk of insulting the intelligence of our more knowledgeable readers.

Whole life assurance is near that end of the spectrum at which the element of insurance is given the greatest weight and that of investment the least. Whole life policies are paid out only on the death of the person whose life is insured. Thus a given premium always buys more whole life assurance than endowment. As nothing is paid out until death the investment element in each premium is low but the insurance-against-death element high.

Endowment assurance is paid out either at death or at the end of a period stipulated in advance, commonly 25 years. On the assumption that premiums will be paid for a shorter time, they buy less insurance. Thus premiums of £50 a year will currently buy a 30-year-old man £3,614 of whole life assurance with, say, the Alliance Assurance Company, but only £1,637 of endowment assurance.

Both these main types of policies can be had with or without profits. A policy *without profits* is a straight money contract. It gives the policyholder no stake at all in the income obtained by the life office from the investment of the premiums it receives, although the expected investment income is taken into account (conservatively) in calculating the amount of cover he is offered. A policy without profits offers greater initial cover for a given premium but, in return for this guarantee, theoretically (and usually in practice) pays out less over the long run. Conversely, a policy *with profits* should eventually pay more because the holder receives annual bonuses representing his share of profits of the assurance company. Thus premiums of £50 a year will currently buy a 30-year-old man just over £4,000 of whole life assurance without profits at the Equity and Law Life Assurance Society, but only £2,100 with profits. The point is that the value of the with profits policy should eventually rise to more than £4,000, as the society's profits enable it to distribute successive bonuses to its with-profits policyholders.

Endowment assurance recommends itself to the man who is saving for some specific, large outlay, such as the clearance of a fixed-term mortgage, a university education for his children, or a lump sum for his retirement. For those with a developed sense of self-interest it has the advantage that they themselves may get to see the money, instead of having it all land in the clammy hands of their heirs. Because it costs more than whole life assurance, many assurance companies now have arrangements by which a young policyholder can start with whole life and then convert this into an endowment policy once he earns more and can afford the high premiums.

Thus, broadly speaking, whole life is for the man concerned primarily to provide for his heirs and endowment for the man primarily concerned with some large outlay to be made in his own lifetime. Without profits is for the cautious, with profits for those who bet they will live long enough to reap the eventual benefit.

As a variation on policies with profits, a number of companies now combine life assurance with plans allowing policy-holders to buy *unit trusts* at the same time. This varies not the element of investment in the combination, but the kind of investment a policyholder prefers: in unit trusts, his investment is concentrated in equities; in a with profits policy his proxy investment is spread over equities, gilt-edged, mortgages and investments in property. Another important difference is that the unit trust-life assurance policy commonly has no minimum value; when the policy matures after, say, 25 years, it could turn out to be worth less than the premiums paid.

Alternatively there is *term assurance*, by which a policyholder can insure against the risk of his death in a particular period. If he survives he gets nothing.

Finally, *annuities* buy a given income in return for a capital sum, possibly the proceeds of an endowment policy. These recommend themselves to elderly people without heirs, since surrender of capital is the price of a guaranteed income, ranging from 7½ to 13½ per cent a year on capital, depending on age.

WHAT emerges from Table A on this page is that a surprising 37 per cent of all life assurance in force at the end of 1962, the latest date for which figures are available, was the type

TABLE A: ORDINARY LIFE ASSURANCES IN FORCE

Latest valuation returns to the Board of Trade of insurance companies established in the United Kingdom.

Year	Whole life assurances		Endowment assurances	
	With Profits	Without Profits	With Profits	Without Profits
	£m	£m	£m	£m
1937	396	208	1,008	213
1948	368	283	1,503	437
1953	560	383	1,995	945
1958	791	577	2,760	1,675
1962	1,076	753	3,953	2,189

Note: Because the latest actuarial valuation may have been made in any of the preceding five years, these figures do not show the actual business in force at a given time.

TABLE B: BEST AND WORST PERFORMANCES

In the four investigations made by *The Economist*, the range of the proceeds of identical policies has been:

	Whole life assurance (Col. 3, Table VI)	Spread	Endowment assurance (Col. 6, Table VI)	Spread
		£	£	£
1950	2,146–1,521	625	994–827	167
1955	2,218–1,614	604	971–840	131
1960	2,446–1,666	780	1,119–826	293
1965*	2,631–1,731	900	1,182–827	355

*1965 figures divided by two for direct comparison with earlier years, when calculations were made on the basis of annual premiums of £25.

What are life offices paying out today on policies taken out 40, 25 and 15 years ago? And what terms are they now offering for without-profits life assurance?

The comparisons below are based on an annual premium of £50 paid by a man assurable at tabular rates, age 30 on the next birthday after the policy was started.

Table VI.—*Life Assurance Comparisons*

Company	Amounts payable in 1965										New sums assured in 1965 without profits (a)	
	Whole life assurance with profits effected in 1925 payable on death in 1965			Endowment assurance with profits effected in 1940 payable on maturity in 1965			Endowment assurance with profits effected in 1950 for a term of 25 years payable in 1965				Whole life assurance	Endowment assurance(b)
	Sum assured (1)	Bonuses (2)	Total (3)	Sum assured (4)	Bonuses (5)	Total (6)	Sum assured (7)	On death: Bonuses (8)	On death: Total (9)	On surrender (10)	(11)	(12)
	£		£	£	£	£	£	£	£	£	£	£
Alliance	2,037		4,385	1,209	774	1,983	1,146	463	1,609	861	3,614	1,637
Atlas	2,030		5,263	1,183	908	2,091	1,176	659	1,835	950	3,680	1,643
Beacon	2,124		3,572	1,190	506	1,696	1,165	417	1,582	721	3,593	1,624
Britannic	2,094		3,792	1,207	581	1,788	1,169	422	1,591	721	3,289	1,531
Caledonian	2,051		3,905	1,254	698	1,952	1,148	432	1,580	758	3,822	1,655
Clerical, Medical & General	2,105		4,085	1,047	791	1,838	1,134	527	1,661	827	3,596	1,534
Commercial Union	(c)		(c)	1,191	806	1,997	1,163	467	1,630	849	3,592*	1,619
Co-operative	2,113		3,700	1,259	597	1,856	1,178	418	1,596	777	Not	issued
Eagle Star	2,010		3,568	1,225	649	1,874	1,175	419	1,594	740	3,842	1,682
Equitable	1,852		4,960	1,250	1,000	2,250	1,205	711	1,916		3,970	1,667
Equity & Law	2,047		4,890	1,255	1,109	2,364	1,192	780	1,972	1,109	4,067	1,704
Friends' Provident	2,083		4,473	1,218	820	2,038	1,182	596	1,778	908	3,647	1,664
General Life	2,007		3,840	1,182	573	1,655	1,163	436	1,599	762	3,623	1,620
Guardian	2,047		4,616	1,232	966	2,198	1,175	572	1,747	933	3,821	1,655
Legal & General	(c)		(c)	(c)	(c)	(c)	(c)	(c)	(c)	(c)	3,922*	1,681
Life Association of Scotland	2,044		3,567	1,259	596	1,855	1,165	430	1,595	743	3,429	1,579
London & Manchester	2,065		4,293	1,227	728	1,955	1,150	493	1,643	731	3,243	1,511
London Assurance	2,040		4,747	1,219	898	2,117	1,156	632	1,788	887	3,592	1,623
London Life	2,128		4,362	1,269	729	1,998	1,214	560	1,774	965	3,833	1,629
Marine & General	2,048		4,036	1,217	751	1,968	1,157	482	1,639	817	3,571	1,639
National Mutual	2,069		5,114	1,208	755	1,963	1,176	490	1,666	874	3,448*	1,562
National Provident	1,993			1,226	702	1,928	1,204	497	1,701	825	3,252	1,655
North British & Mercantile	2,006			1,233	743	1,976	1,179	462	1,641	853	3,592*	1,619
Northern	2,040			1,227	767	1,994	1,123	510	1,633	847	3,975	1,686
Norwich Union	1,932	2,214		1,262	742	2,004	1,180	494	1,674	848	3,663	1,661
Pearl	2,041			1,238	657	1,895	1,178	442	1,620	816	3,235†	1,554
Phoenix				1,121	656	1,777	1,128	399	1,527	766	3,797	1,676
Provident Life				1,246	535	1,781	1,246	404	1,650	801	3,519	1,626
Provident Mutual				1,244	590	1,834	1,173	404	1,577	672	3,582	1,657
Prudential				1,228	845	2,073	1,147	559	1,706	876	3,880*	1,717
Refuge				1,235	499	1,734	1,163	348	1,511	755	3,333*	1,587
Royal				1,181	740	1,921	1,141	509	1,650	866	3,646*	1,660
Royal Exchange				1,204	695	1,899	1,174	508	1,682	816	3,680	1,643
Royal London Mutual				1,221	543	1,764	1,142	394	1,536	640	3,563	1,572
Scottish Amicable				1,204	767	1,971	1,176	484	1,660	847	3,746	1,653
Scottish Equitable				1,171	746	1,917	1,156	487	1,643	783	3,389	1,604
Scottish Life				1,235	762	1,997	1,167	521	1,688	766	3,593	1,613
Scottish Mutual				1,257	658	1,915	1,170	480	1,650	809	3,623*	1,636
Scottish Provident				1,190	716	1,906	1,165	531	1,696	863	3,797	1,657
Scottish Union & National				1,183	735	1,918	1,138	489	1,627	780	3,658	1,662
Scottish Widows'				1,201	1,072	2,273	1,153	710	1,863	1,022	3,681*	1,639
Standard Life				1,204	1,069	2,273	1,174	507	1,681	942	3,328	1,664
Sun Life				(c)	(c)	(c)	1,153	416	1,569	781	3,650†	1,650
United Kingdom Provident				1,223	800	2,023	1,159	509	1,668	837	3,670*	1,660
Wesleyan & General				1,244	484	1,728	1,155	331	1,486	666	3,681	1,624
Yorkshire				1,192	652	1,844	1,176	500	1,676	809	3,704	1,667

(a) Policies normally give unrestricted cover. Nearly all the offices offer better terms to women, usually by assuming that they are 3 years younger than their actual age.
(b) Term 25 years. (c) New series started subsequently. * Premiums cease at age 85. † Premiums cease at age 90.

taken without profits. Clearly we remain a cautious bunch in these islands, not easily seduced by the cult in equities and bounding property values despite a generation of continuous inflation.

Table B on page xx shows the continued widening of the gap between the highest and lowest amounts payable on the policies covered by the big table. The 1965 figures in the small table have been divided by two for direct comparison with earlier years, when calculations were based on annual premiums of only £25. The heirs of a man who died this year after paying annual premiums of £50 for the past 40 years for whole life assurance with profits received £5,263 from the Atlas Assurance Company, but only £3,463 from the Provident Life Association of London—a whopping spread of £1,800. To be sure, companies that pay low bonuses sometimes set somewhat higher the cover initially offered. But differences between initial cover are infinitely smaller than differences between the sums finally paid out after bonuses. And these last are a good guide to past expertise in the investment departments of the various insurance companies, although it is fair to remember one other variable factor. Some offices have a high proportion of with-profits business, while at others the proportion is much lower. When interest rates are high and there is significant inflation, profits on the without-profits business are high, since the premiums were originally fixed on the basis of lower money returns than are now being earned. These profits go to the with-profits policyholders, as well as the profits on the with-profits business itself. So where the company has a relatively large without-profits business, the few with-profits policyholders would do relatively better than with another company with the same level of investment expertise.

A comparison between life assurance and other forms of savings and investment is less easily made than one between various forms of life assurance and the value given by various life assurance offices. Even allowing for tax relief equalling £16 for each £100 of premium paid, the actual yield on life assurance tends to be less than the yield on equities or unit trusts during any period of prolonged buoyancy in the stock market, such as during the late 1950s. But life assurance is not a totally illiquid form of saving. Insurance companies commonly lend policyholders money against the security of their policies. And life assurance is unique in allowing a man to safeguard his heirs, save money and earn interest all at once. It is unique too in giving the ordinary investor an indirect stake not only in equities, as do unit trusts, or only in mortgages, as do building societies, but also in bonds and commercial property, all at once.

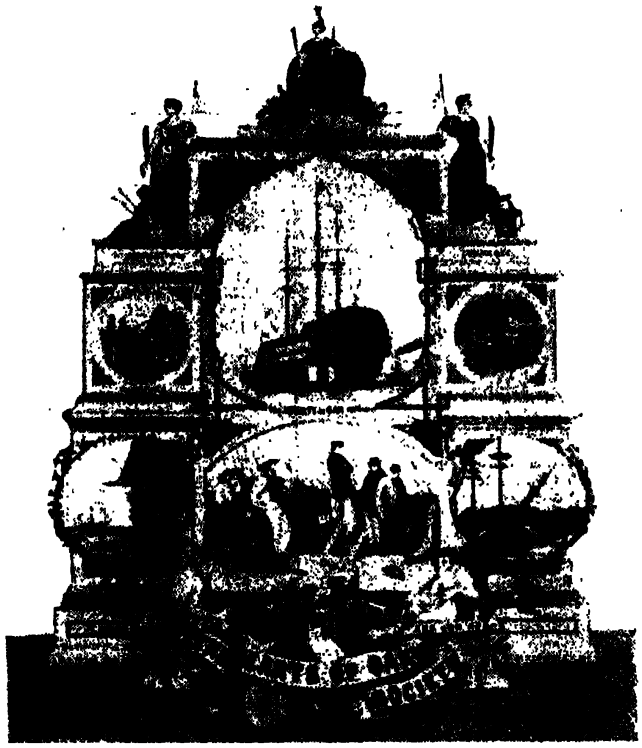
"Old Friends Never Change"

THE friendly society movement played a legendary role in the history of working class solidarity in Britain and in the development of sickness insurance right up to the introduction of the 1948 state system. But then evolution evidently overtook it: and ever since it has seemed to have about as much alacrity as a mammoth stuck in a glacier. Its actions are frozen into the style of a past era. This results partly from legal limitations—granted in return for huge fiscal privileges—but also from force of habit. Yet the societies survive and as the table (on page xxvi) shows, in spite of their continued net loss of members, they are getting richer all the time. This makes it all the more necessary to ask how their unique position could be exploited to greater advantage today, and to see if there is enough life within the societies to thrive on any new opportunities that could be opened to them.

From early in their history friendly societies have offered sickness insurance and life assurance of the "industrial" (door-to-door, weekly payments) type. A special Act of Parliament, regulations and controls govern societies and companies writing industrial life assurance. So although all Friendly Societies are overseen by the Registrar of Friendly Societies, usually the two functions are performed by separate societies. Those that do both, like the Hearts of Oak, run the two as virtually independent concerns. Those societies or parts of societies carrying on the industrial life assurance business are usually designated "collecting societies."

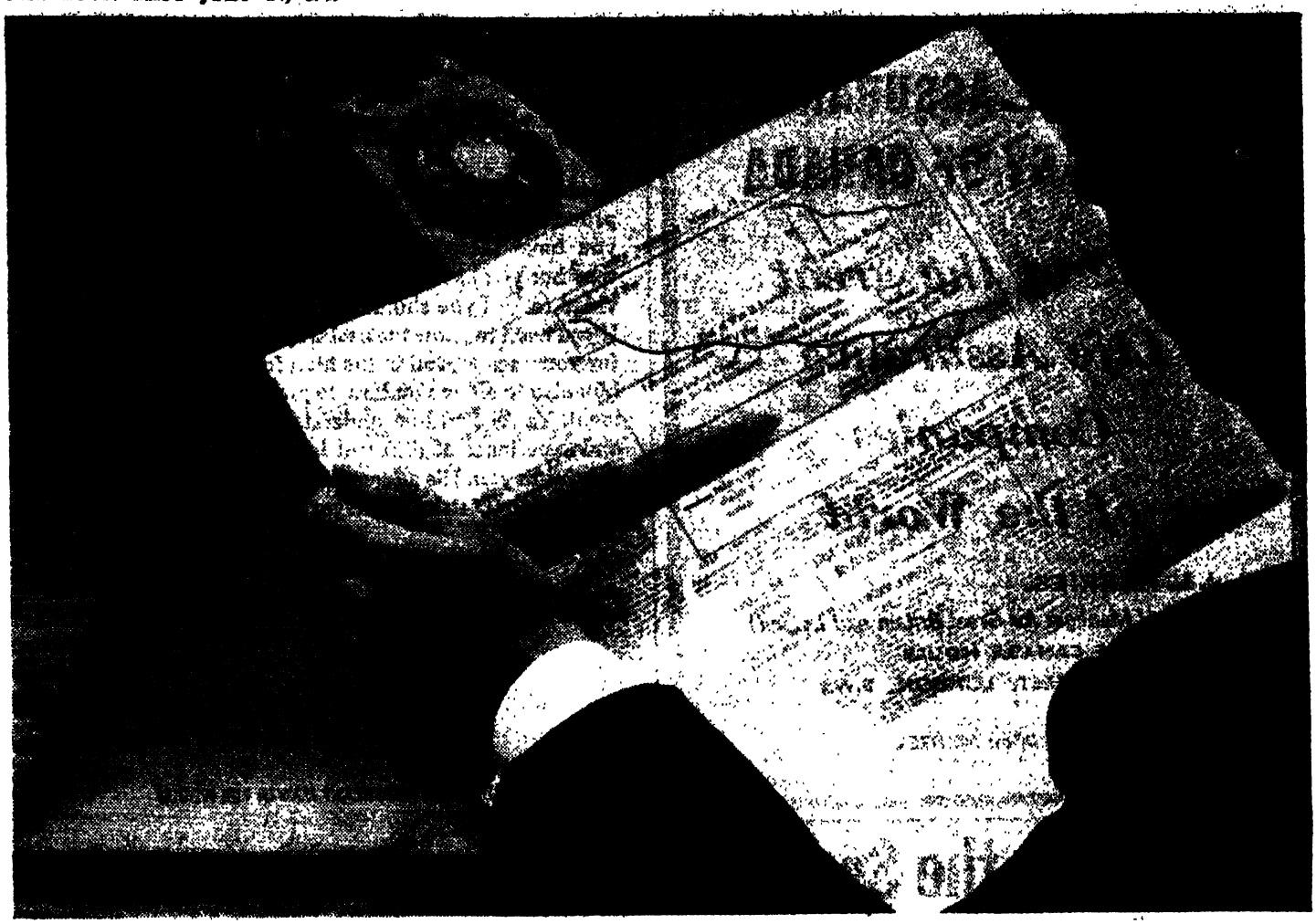
The recent history of the Friendly Societies is to some extent the history of efforts, or failures, to expand the range of other types of business the societies may carry on. Within certain limits these include ordinary life assurance, and policies for medical or institutional treatment as well as their traditional business of mutual sickness benefits. Just as in sickness insurance their main rival is the state, so in most other most profitable fields the societies have to face the competition of commercial insurance companies as well as other forms of mutual association (such as those run by many professions) not registered as Friendly Societies.

Unfortunately the one huge advantage of registration—exemption from all forms of tax—is coupled with stringent regulations specifically designed to prevent the societies from straying far



into ground already covered by commercial insurance companies. Most notably, the most for which any one individual can assure his life with the Friendly Societies (including collecting societies) is £500 (plus bonuses), even if more than one policy is involved. In the field of sickness insurance, where there is no legal limit on the size of policies, the Friendly Societies are largely priced out of the "employees" market by being unable to contract with groups, as distinct from individuals. This has not prevented many specific employees' funds registering themselves as independent friendly societies—Ford's has one of the biggest.

These limits are most irksome to the few societies whose size and structure brings them closest in style to the commercial insurance companies. Faced by the possibility of still greater state commitment to social benefits, they are more anxious than ever to gain some relaxation of the rules. This is being pressed on the



"I was worried about inflation

. . . and its effect on our pension scheme. As the cost of living rises it is the man on a fixed pension who really feels the pinch. I wanted a Dynamic Pension Plan but we thought the cost might put it out of reach. When we got the actual figures we were surprised to find just how little it cost to include the built-in growth element."

The Chairman is right—the cost is modest

Even the best pension schemes need to be *regularly* reviewed. It is because so many of them have become "dated" in their ability to cope with rises in the cost of living after people have retired that the Provident Mutual *Dynamic Pension Plan* was developed. If you have reason to believe that your company's arrangements are due for an overhaul you should certainly get the facts on the Dynamic Pension Plan, the *first* pension plan to include a built-in growth factor. Ask your secretary to write for an explanatory brochure from your own pension advisors or from one of the addresses below.

THE DYNAMIC PENSION PLAN

underwritten only by

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION

[illegible] Moorgate, London, E.C.2. MONARCH 6151

and originally devised in conjunction with

HOBBS SAVILL AND BRADFORD LIMITED

22/25a Sackville Street, London, W.1. GERRARD 9767

SUN LIFE ASSURANCE COMPANY OF CANADA

One of the great Life Assurance Companies of the World

J. L. HARRIES.
(General Manager for Great Britain and Ireland)
141 SUN OF CANADA HOUSE
COCKSPUR STREET, LONDON, S.W.1

Head Office: MONTREAL

Remember the Sentinel for all Annuities Estate Duty and Life Assurance

THE SENTINEL INSURANCE CO LTD

Williams National House
11-13 Holborn Viaduct, London EC1
Telephone: CITY 8070

For advice and understanding

A child's absolute faith in you can make you feel both proud and humble. It can also make you wonder whether you have thought enough about your family's future, whether you have made sure they will be adequately provided for—if you should die suddenly.

If you want to know the best way to make the future secure for your family, call in the Man from the Prudential. Ask him also to show you how to plan for an enjoyable retirement. You'll find him understanding, and his knowledge and experience of different insurance needs can be most helpful to you. His address is in the telephone book under Prudential (District Manager's Office). He'll be glad to call on you.

Call in the Man from the Prudential

WHEN YOU ARE THE MOST IMPORTANT MAN IN THE WORLD

government once more by a joint friendly society committee (the first ever to cover the four different associations representing the societies). But even the strongest are in no position to face any hint of taxation, and this obviously limits their bargaining power. But there is one demand which is perhaps crucial if the Friendly Societies are to do anything but sink into a torpid decline, with all the waste of resources this implies. They should be allowed to merge with each other. At present only full-blooded takeovers, with one society completely absorbed by another and losing its identity, are permitted. These are unpopular, and so unusual. Societies ought also to be enabled to change themselves into ordinary companies without all the legal complexity which makes this almost impracticable at present. If the two biggest of the centralised societies, the National Deposit and the Hearts of Oak, were to merge, they would own assets of over £46 million.

The very great differences between the societies means that the radical few are heavily outnumbered by the sleepy potterers. These differences are in size, organisation and method of sharing out payments. The most important distinction is that between the societies run as a single centralised organisation and those others, known as "orders" where autonomous branches retain, with varying degrees of completeness, separate control over themselves and their finances. In total, as the table shows, the decentralised societies form between a fifth and a quarter of the total friendly society membership and funds, and have done less well financially than the single organisations. Splintered resources are less effective than one big fund. Administrative expenses frequently prevent the societies handling more of the small business which is their natural—and traditional—speciality. For the diffused branch societies this is most of all the case, except in so far as they can rely on the semi-voluntary services of members.

The social and group loyalties that were the inspiration and strength of the early friendly societies still persist in an anachronistic but oddly stubborn way. So does the artisan character of the membership. Leading roles are passed on down families; the councils that control the various societies and branches are mostly composed of the kind of old men who also make the most conservative type of trade-unionists—but such variety in type as there is generally comes through a son who has acquired some social mobility but still remains loyal to the movement. Most of the orders have rules that branches should be closed or amalgamated if they fall below, say, 50 members, but this is not always enforced until a branch gets nearer to the minimum of eight members, below which its funds escheat to the crown. Within these limits, it is sometimes possible for members of a single family virtually to take charge of a branch, refusing new members and sharing the pay-out according to the rules.

The decentralised societies, or orders, with their quaint names, earnest ritual and close local ties, retain a strong Victorian flavour. The two biggest, the Independent Order of Oddfellows (Manchester Unity) and the Ancient Order of Foresters, have between them 25 per cent of the members and 70 per cent of the wealth of this type of society; next in importance, with 10 per cent of the funds is the Independent Order of Rechabites Salford Unity, which is one of a number of societies whose members must take the teetotallers' pledge. Though many of the branch societies are withering, others are growing in size and are, by funds per member, relatively wealthy. At the obligatory quinquennial valuations, branches may prove to be worth perhaps twice their contractual obligations. The surplus is available for sharing out as the management decides. But the main advantage in belonging to a friendly society today may be not so much the provision for a few extra shillings a week or a lump sum at 65, but the knowledge that, should the need arise for, say, a wheelchair, the society may stump up. Rallying round widows and orphans is still very much their line. Some even offer cut-price mortgages to members.

Table VII.—*Life and Annuity Business of 41 Life Offices*

	Premium income 1959 £000s	Premium income 1964 £000s	Expense ratio* 1964 %	Fund end 1954 £000s	Fund end 1959 £000s	Fund end 1964 £000s	Fund growth 1959–1964 %	Fund growth 1954–1964 %
Mutual Life Offices								
Clerk. Med. & Gent	3,184	7,533	12·0	26,071	37,162	63,115	70	142
Equitable	2,804	5,505	7·0	26,817	35,930	59,267	65	121
Friends' Provident	6,971	11,840	12·1	39,953	76,508	149,772	93	270
London Life	3,583	4,850	9·4	31,952	47,501	66,986	41	110
Marine & General	1,182	1,703	17·6	5,851	9,617	15,421	60	164
National Mutual	1,460	2,470	16·2	11,792	15,334	29,576	93	151
National Provident	3,649	5,870	13·5	23,032	46,698	63,136	72	174
Norwich Union	25,067	37,474	12·5	115,762	188,053	324,777	73	181
Provident Mutual	3,418	5,398	14·2	20,245	27,668	42,610	55	110
Scottish Amicable	11,424	15,923	9·3	39,221	74,115	135,153	82	244
Scottish Equitable	2,460	4,265	17·2	18,534	25,194	40,573	61	119
Scottish Mutual	2,239	3,917	14·2	12,948	18,762	33,516	78	159
Scottish Provident	4,943	7,073	9·9	35,687	52,543	83,846	60	135
Scottish Widows'	12,506	20,455	7·1	72,007	132,870	223,137	68	210
Standard	32,852	48,617	7·8	139,574	261,072	452,465	73	224
UK Provident	4,566	7,463	11·6	37,210	52,447	82,552	57	122
Average	...	...	10·4	...	...	...	71	184
Proprietary Life Offices								
Equity & Law	7,257	11,912	14·1	41,565	67,913	136,426	101	228
Scottish Life	3,332	5,561	11·9	15,183	26,018	46,434	78	206
Sun Life	16,604	29,595	10·1	99,479	142,413	244,771	71	146
Average	...	...	13·3	...	...	...	60	174
Industrial cum-Ordinary Life Offices								
Britannic	4,762	5,987	16·4	33,727	42,067	56,607	35	68
Co-operative	12,052	15,820	6·8	50,065	81,066	130,032	60	160
Pearl	14,821	20,287	13·7	85,904	108,756	170,974	57	99
Prudential	66,212	97,225	11·5	314,400	477,533	782,153	64	149
Refuge	8,780	11,195	10·2	62,896	77,174	98,002	27	56
Royal London	4,555	5,604	14·4	33,167	41,592	54,198	30	63
Wesleyan & General	1,973	2,388	10·6	12,717	16,308	21,174	30	67
Average	...	...	11·8	...	...	...	36	122
Composite Offices								
Alliance	3,320	4,532	14·7	34,583	53,014	63,376	47	83
Atlas	4,288	7,421	8·3	29,224	40,780	66,275	62	127
Caledonian	1,372	3,158	10·8	12,455	17,875	37,907	112	204
Commercial Union	9,300	15,587	9·8	56,390	76,303	133,946	76	138
Eagle Star	16,590	23,690	6·3	73,732	133,509	233,433	75	217
Guardian	5,010	15,022	10·9	31,036	57,442	149,193	160	381
Legal & General	46,910	75,270	9·8	217,732	372,836	634,503	70	191
London Assurance	2,811	4,196	16·3	21,630	30,575	46,741	53	116
N. British & Merc.	7,547	9,441	6·4	59,839	75,310	105,429	39	76
Northern	7,596	10,694	8·2	19,778	45,220	81,794	81	314
Phoenix	2,648	7,215	17·8	24,890	47,669	77,644	63	122
Royal	9,402	12,308	15·5	87,814	110,870	184,730	55	110
Royal Exchange	4,888	6,915	10·3	27,717	38,887	60,311	58	118
Scott. Union & Nat.	3,130	4,283	11·6	20,789	31,075	46,941	51	126
Yorkshire	5,672	10,379	10·2	34,585	53,078	100,596	87	191
Average	...	...	10·1	...	...	...	71	168

* The proportion of premiums absorbed by expenses of management excluding commission paid to agents and brokers. This ratio is affected both by the office's own efficiency, and by its mix of business. Pensions business, in particular, is cheaper to administer (per £ of premiums) than ordinary life assurance business.

MUCH of some societies' wealth is in the form of members' mortgages and property. This property commonly consists largely of old Victorian buildings and many societies are now belatedly discovering the development potential these often have. But in spite of the new freedom conferred by the Trustee Investments Act of 1961, many societies have still not ventured into equities at all.

But an even more significant gauge of inertia is the notable failure of the movement as a whole really to search out the gaps in the welfare state that they might fill, or to see that an increasingly middle class nation could provide new roles. True the societies are hampered by the many thousands of people who joined the movement in the days when it was vital to them and are now paying very small contributions, or none at all, and living longer to draw sick benefit in old age. The societies' many convalescent homes are in great demand. But why for example have they not

made more of the demand for insurance against medical expenses as distinct from sickness? The British United Provident Society to which so many middle class people belong is not a Friendly Society. Some societies run their own legal aid schemes, a sideline offering plenty of scope for expansion. All too rare are practical schemes devised for modern conditions of the type operated by one society, which provides £80 a month for six months to anyone losing his employment through forfeiting a driving licence.

With their unusual grass roots connections there could be considerable opportunities for the friendly societies to become a repository for much more of the spare working class cash which the banks have so notably failed to attract. There are authentic stories of miners handing over £500 in notes to the friendly society representative at the door. The National Deposit, for example, has started a loan fund—a straightforward savings scheme—which rather to its surprise has grown to over £240,000 in eighteen months. But there are legal restrictions on this sort of business, too. The same society, appalled at the difficulties of maintaining an adequate sales force for sickness insurance, has for the first time been running an advertising campaign instead, with surprisingly good results. The business, and the needs, are there for anyone who will go and seek them out; what is doubtful is whether the Friendly Societies will now ever summon the initiative to do so effectively.

FRIENDLY SOCIETIES
(excluding collecting Societies)

	Centralised Societies			Decentralised Societies		
	1953	1963	% change	1952	1962	% change
Societies	1,398	951	−32	48	36	−25
Branches	None	None	—	12,209	9,207	−25
Members ('000)	4,796	4,569	− 5	1,792	1,218	−32
Funds (£'000)	155,811	201,563	+29	64,650	70,430	+ 9
Benefit payments (£'000)	13,793	18,319	+33	2,961	2,879	− 3
Income (£'000):						
(a) contributions	13,679	19,723	+44	n.a.	n.a.	—
(b) interest	5,587	9,047	+62	—	—	—

German State Pensions: the Next Round

State pensions in Germany began with Bismarck. The graduated scheme, extended this month, is difficult for private insurers to match.

Frankfurt

THREE weeks ago there began the second round in the competitive struggle between the German state pension scheme and the private insurance companies. From the beginning of this month salaried employees with monthly earnings between DM 1,250 (£112) and DM 1,800 (£161) become liable to join the compulsory state pensions scheme. Those earning less than DM 1,250 monthly and all wage earners are already included. An employee now retiring, having earned a salary equivalent to the national average for 45 years, would draw a pension of DM 409 (£38) per month.

There will be a transitional period extending up to the end of this year. A salary earner in the group now to be included can contract out of the state scheme if he makes provision for an equivalent pension through private arrangements before the end of the period. Thus, this group—estimated at half a million salaried employees—will have the choice between a state and a private pension. And the private life assurance companies will have an important new opportunity to gain business. The same thing happened in 1957. Then, those earning between DM 750 (£67) and DM 1,250 (£112) were brought into the state scheme with similar transitional arrangements. But the additional business accruing to the private life assurance companies was disappointing. Of those employees with the option, only some 20 to 25 per cent chose to contract out. This time, although the extra business will undoubtedly be greater in money terms, it would be surprising if a higher proportion opted out of the state scheme.

For the state pension scheme today is highly attractive and popular. This results mainly from the linking of the size of pension with the general level of money incomes, through a highly complicated formula. In this way, adjustment is made not only for the depreciation of the value of money, but also for the increase in real incomes. Private insurers are going to find it hard to outshine this attraction, in Germany of all countries, where memories are long, and the inter-war inflation especially bitter. True, the private insurers offer "with-profits" schemes, with pensions that are augmented by bonuses representing distributions from the companies' actuarial surpluses; but employees are well aware of the imponderables connected with such calculations and indeed tend to exaggerate them.

Starting conditions for the new competition are unequal on another count. Employers must pay half the state pension contributions, but employees bear the whole of premiums for private pensions. This alone could be decisive where employers stick to the letter of the law. In practice, though, most employers voluntarily pay over half the premiums for private insurance as well.

The companies' best prospects for new pensions business lie among salaried employees already holding private insurance, who must now increase their policies in order to remain contracted-out. As in Britain, this is generally more advantageous for these people than to enter the state scheme and surrender their private policies (i.e., contracting-in in retrospect). The third possibility—to join the state scheme and simultaneously continue existing private policies—could prove beyond the financial means of most of these salaried employees.

There are other indications that the state will continue to make life harder for private insurers in the next few years. The Socialist Party has a plan for a more comprehensive *Volksversicherung* ("people's insurance") and intends to carry out this project, if elected in September. Although details are still unsettled, this would extend the state scheme to all employees, i.e. to the 300,000 to 400,000 salaried employees with incomes of more than DM 1,800 (£160) per month. More important, the self-employed would become generally eligible—instead of in special conditions only, as at present. This group, on which the life assurance companies depend to a considerable degree, could certainly not indefinitely resist the lure of a state scheme, promising security and an old age fully provided for. The Socialist plan has, moreover, some very advantageous special facilities, such as for people whose incomes drop in their final working years. It is hard to believe that the implementation of these plans would not hit the private companies, even if only in the form of reduced growth rates. And, even if the Socialists stay in opposition after the elections, a growth of state pensions is still likely. Similar plans are being devised within the present ruling parties, and the socialist attack has accelerated the process. The Christian Democrat party's plan, for example, of which only the outline is visible so far, would not

Isambard Kingdom Brunel 1806-1859. Behind Brunel is his crowning achievement — the 'Great Eastern' which, launched in 1858, was the largest vessel of the time

Underwriting History

Like many other famous people Isambard Kingdom Brunel entrusted his insurance affairs to the care of the Sun Insurance Office. For more than two and a half centuries the Sun has made its own contribution to the country's commercial history. Today both private persons and well-known companies still turn to the Sun for protection against loss and for expert advice on all insurances.

SUN INSURANCE
OFFICE LIMITED
63 THREADNEEDLE ST., LONDON, EC2
See the Telephone Directory for your local branch or office

LONDON and MANCHESTER

Life and Endowment Assurance
Immediate Annuities
Pensions for the Self Employed
Share Purchase Through Endowment
Fire and Accident
House Purchase

LONDON and MANCHESTER
ASSURANCE COMPANY LIMITED
16 Finsbury Circus, London, E.C.2.
A HOME-SERVICE INSURANCE OFFICE

LIFE ASSURANCE needs specialist advice

The ROYAL INSURANCE GROUP can provide it

Guidance is available to you at any of the Group's offices throughout the United Kingdom on all forms of Life Cover including:

MORTGAGE PROTECTION—for Householders engaged in house purchase
FAMILY INCOME—a vital form of protection for those with family responsibility
EDUCATIONAL—for parents concerned with provision and continuance of school fees
PENSIONS—where no approved schemes exist

Bring your Life Assurance problems to the

ROYAL INSURANCE COMPANY LTD
THE LIVERPOOL & LONDON & GLOBE INSURANCE COMPANY LTD
LAW UNION & ROCK INSURANCE COMPANY LTD

ROYAL INSURANCE GROUP

See Telephone Directory for address of your nearest Branch

BISHOPS GATE

FOUNDED 1877

Attractive terms for all Life Assurance and Pension Schemes

PROVIDENT LIFE

ASSOCIATION OF LONDON LIMITED

Provident House, 246 Bishopsgate, London, E.C.2

WHAT DOES THIS SYMBOL MEAN TO YOU?

It could mean Security for your family or peace of mind in your old age.

It could mean A better start in life for your son or a marriage dowry for your daughter.

It could mean so much to you in many ways.

Why not let us explain to you how it could benefit you and your family? Any one of our local offices will be glad to help you. There is sure to be one near you and you will find the address in the telephone directory. Alternatively, if you prefer, you can write direct to our head office:

The United Friendly Insurance Company Limited

42 Southwark Bridge Road London S E 1 Telephone: Waterloo 5644

A Case for a Specialist

As the whole field of pensions and associated benefits for employees grows more complex, it is often hard to view all problems clearly, and keeping Pension Schemes at maximum efficiency becomes increasingly a task for specialists.

MPA is a specialist in this field. For nearly thirty years MPA has helped Employers to install, maintain and modernise Pension Schemes that now provide benefits for 400,000 people employed by private Industry in the UK and overseas.

MPA is fully equipped to carry out the reviews of Pension Schemes necessitated by changes in legislation, taxation and National Insurance, and also in earnings levels.

MPA also has the skill and experience needed to solve Pension Scheme problems arising out of amalgamations, so that they have positive advantages for employees as well as for shareholders.

When it's time to call in a specialist—call in MPA.

METROPOLITAN PENSIONS ASSOCIATION LIMITED

1 OXENDON STREET · LONDON · S.W.1

Trafalgar 7411

and at CITY OF LONDON; KNIGHTSBRIDGE, S.W.7

Also at

BIRMINGHAM, LEICESTER, LEEDS, MANCHESTER and GLASGOW

apply to all employees, but the self-employed would be brought into the net. Experience indicates that it is the young people who need to be compelled to make pension provision. The older they are the less encouragement is needed. The CDU is therefore intending to require self-employed people to join the state scheme (or make provision privately) for twenty-five years. After that they will have the choice of making further provision or not.

Immigrant Insurers

The flow of immigrants into Britain has recently included a handful of Life Offices.

DURING the past five years several foreign controlled companies have started life assurance in Britain. In addition to the usual problems of a new life office—how to offer better or more original contracts than its established rivals and how to persuade the public to buy them—they have had to cope with suspicion of their foreign origin; but they have had the advantage of knowledge of policies popular abroad but as yet little known in this country.

Among the insuring public prejudice against new or foreign companies is probably less than is imagined. A survey in which members of the public were invited to arrange in order of size several real and some imaginary companies showed that apart from one or two of the largest offices the names of companies were little known. But brokers may be understandably cautious in recommending new companies, especially those from overseas about whose methods of operation they may have little information; and their reservations are not necessarily allayed by the higher commissions that some new companies have offered.

Some of the companies have built themselves round an existing concern—the Occidental Life in association with the Vehicle and General group, Bedford Life as a member of the long-established Zurich Group—thereby obtaining a direct introduction to the public and the brokers. The Southampton Life is a subsidiary of the African Life of Johannesburg and took over its East African business: it was felt that if political tension between South and East Africa developed into financial warfare the policyholders in East Africa would do better if their policies were with an English registered company. The International Life Insurance Company of Luxemburg and the Consumers Life (both subsidiaries of American interests), the Life Assurance Company of Pennsylvania and the Abbey Life have started from scratch, and the giant Assicurazioni Generali group has filled in a blank spot in its world coverage by opening a United Kingdom branch for life business under the name of the General Insurance Company of Trieste and Venice. Finally, in the reinsurance field there is the New London Reinsurance company, a member of the Algemeene Reinsurance Companies of the Netherlands.

A large proportion of the policies issued in this country are with-profits and a new company cannot be expected to rival the very high bonuses declared by the established offices. The Bedford Life and the Occidental Life offer with-profit contracts, but the Occidental has not been in business long enough to show a level of bonus. The Bedford Life has from the start gone for a low with-profit premium rate and a low bonus and has maintained an interim bonus rate of 10s. per cent. The International Life, after selling equity-linked policies abroad, now offers them in this country also and the Abbey Life, the Occidental, the Life Assurance Company of Pennsylvania and the Consumers Life have also entered this field. The Consumers Life's policy goes a good deal further than most by guaranteeing a minimum sum assured that is equivalent to insuring against a fall in equity prices.

Several of the offices have introduced features from their home-*lands that are relatively new to Britain.* The Abbey Life, which started under South African influence (but has since passed into the American-owned Standard Telephones and Cables group) has made a feature of permanent sickness and disablement policies (i.e. covering the whole of a man's working life). These have hitherto tended to be left to the non-life branches in this country. The General of Trieste offers accident and additional road accident benefits and will give an Orphan's Benefit (an additional sum payable to the child on the death of the widow of the life assured). It also writes the "Europa" policy; this provides that if the assured moves permanently to one of the common market countries the policy can be transferred to the portfolio of the General Branch in the country concerned. The New London Reinsurance Company has made a particular point of re-assuring "sub-standard" lives and, in addition to the usual reassurance services, offers a more unconventional contract, called life stop loss assurance. This sort of contract would be particularly useful for a new life office. Having relatively limited reserves it would normally be obliged to operate a low ceiling on the total it will assure per individual, because of the risk of a rise in the mortality rate. But this particular risk can be "laid off" under a stop loss policy. One single reassurance policy will cover the office's whole portfolio and will enable it to assure a higher maximum sum per individual, thus reducing the need for the more cumbersome and administratively expensive course of reassuring parts of individual risks.

As things now stand the assured is not liable to capital gains tax on an equity-linked policy but the company is liable to an unspecified amount of tax in the future. Presumably new policies will contain a clause providing for an equivalent deduction from the sum assured on maturity or death. This may diminish the attractiveness of the equity-linked contract *vis-à-vis* the conventional with-profit policy (although the latter will be affected by the capital gains tax on life offices' investments). This is bad luck for those new companies that have been specialising in this relatively under-developed variety of life assurance. Equally unlucky are those companies specialising in the low-premium low-bonus type of policy. The persistence of inflation is likely to mean that conventional non-profit policies will in time become used only for covering liabilities of fixed money value. But inflation tends to erode the attraction of low-premium, low-bonus policies in just the same way. However, by the standards of Australia and North America the British are hopelessly underinsured. This indeed is one of the main reasons why these overseas companies have descended upon the British market. No doubt the dice will be heavily loaded against the newcomers for some years yet. But with the total life assurance market growing at over 10 per cent per year (by the value of premium income) there is plenty of room for newcomers. Certainly the new and unfamiliar competition will do the staid old giants of the business no harm at all.

Table VIII.—*Distribution of Insurance Assets. Total Consolidated Assets of 42 offices.*

	1962		1963		1964	
	Per cent	£mn.	Per cent	£mn.	£mn.	Per cent
Mortgages, including policy loans	17·0	1,347·8	16·9	1,477·4		17·0
Brit. Govt. & Govt. guaranteed stocks	17·9	1,397 5	17·6	1,484·0		17·0
British Municipal, Overseas Government and Municipal Stocks	7·5	590·0	7·4	615·4		7·1
Debenture stocks	14·7	1,209·8	15·2	1,385·9		15·9
Preference shares	4·5	345·2	4·3	356·9		4 1
Ordinary shares	21·3	1,691·4	21·3	1,886·4		21·7
Other investments	0·8	76·5	1·0	841·9		0·9
Property	9·6	770·4	9 7	841·7		9·7
Cash, agents' balances, etc.	6·7	528·7	6·6	577·4		6·6
Total Assets of 42 offices	100·0	7,957·3	100 0	8,767·0		100 0

Alternatives for Pension Rights

Pension rights—their inadequacy and the fear of losing them—are commonly recognised as a source of both injustice and executive immobility. But opinions differ over the reform actually needed, with compulsory "vesting" favoured by some and compulsory "transferability" by others. The Economist *has argued in the past in favour of compulsory vesting, but only as a first step towards more fundamental reforms. In this article a correspondent explains the issues between the "vestors" and the "transferors."*

A NUMBER of quite separate considerations make up the considerable case for compulsory vesting or transferability of pensions. The most direct of these is that if an employee is promised by his employer a benefit payable on his eventual retirement, that promise becomes part of the employee's terms of service and the benefit is earned throughout the period of employment. It is therefore a form of deferred remuneration ; and the employee who leaves his employer for any reason before his pension becomes payable is entitled to the appropriate portion of the benefit for the service he has completed. This attitude is, of course, a direct contradiction of the common employer's attitude that a retirement benefit is a reward for long and faithful service.

An alternative and very different argument is that, for social and economic reasons, increased mobility of labour is a national necessity and so anything that militates against the movement of employees from one firm to another must be prevented. It follows that if the existence of pension arrangements is not to be a bar to mobility, the employee who moves between employments during the course of his working life must not be worse off in retirement than the one who remains with one employer.

Vesting

The first objective leads to the simple requirement that the pension rights accrued in respect of the service completed up to the date of leaving employment should be preserved (i.e. that rights should be vested). Clearly, to fix any minimum period of service, as is often suggested, is against the spirit of the objective. However, the practical application of this ruling to the many types of scheme that exist raises many problems. In a "money purchase" or "career earnings" type of scheme the size of the accrued pension rights is readily determined, since the pension builds up by a specific amount over each year of service, and all that is required is that this amount of pension should eventually be paid to the man when he reaches the pension age expressed in the scheme. The same applies to a pension formula that gives a fixed sum per year of service. But how should one treat a pension that is proportionate to service but related to an unknown future salary, for example, the average of the last six years of service or the average of the highest successive five years in the last ten years of service? Similarly, how can one treat a pension that is not related to length of service at all: for example, a fixed amount per annum or a fixed proportion of a future salary?

It has been suggested that a requirement that the rules must contain provisions for the vesting of pensions should form part of the conditions for the Inland Revenue approval of a pension fund, but this can really apply only to a fund for which approval under Section 379 of the 1952 Act is sought. If a scheme is approved under Section 388 of the Act, withdrawal of approval would penalise only the employees. A more direct approach would be to pass legislation that required any employer setting up a pension scheme to include in it provisions for the vesting of benefits. And the difficulties of defining accrued pension rights, would make it essential to provide for some referee by whom the scheme could be considered and who could judge whether this requirement has been met. It would probably be impossible to insist that a Court rules on all cases; but perhaps some Government Department e.g. the Board of Trade, would become the authority, the right to appeal to a Court being left as a safeguard for both the employee and employer.

Transferability

The second approach to this subject raises even more difficulties. It would be necessary not merely to determine what pension had accrued for the service completed with an employer but also to consider how this pension would relate to the conditions ruling at the time of the employee's eventual retirement. The objective is to put the employee in the same position as if he had continued to work for that employer. But if the scheme that he is in provides a pension based on final salary, it is obviously necessary to make some provision for basing the pension for the service completed on (a) what his salary would have been at the point of retirement rather than (b) the salary he actually is earning at the time of leaving. Obviously this hypothetical future salary cannot be determined (the actuarial calculations involved in the financing of the scheme may make some assumptions about future average increases in salary but they have no individual application). Furthermore, the salary he would have reached with this employer will have no necessary relationship to the salary at which he eventually retires from his next or even later employer, and there seem no good grounds for requiring the first employer to increase the amount of the pension vested in the man in order to keep it in line with his subsequent salary progression. Equally, there seems little justification for requiring a subsequent employer to improve the vested pension in respect of the earlier service of a man whose salary he increases. In fact, such a requirement might militate against the mobility that is the ostensible reason for introducing such provision.

It is sometimes believed that if the fund an employee leaves pays a cash transfer value to the fund he enters, the problem of "transferability" will be solved. But this is an oversimplification. The amount of the cash transfer value should be determined from the benefits it is intended to give ; a reference to the "actuarial reserve in the fund," a common enough term, in fact does not get very far since this is by no means a clear cut figure. Then the second fund has the problem of retranslating this cash sum into pension benefits. If only the annuity equivalent is given by the second fund, the pension will clearly not relate to conditions at the time of eventual retirement ; but if anything more is given, the cost of the additional pension for the earlier period of service will fall on the second employer.

One possibility is that all vested pensions should be paid over to a central fund which itself would undertake to maintain the purchasing power of these pensions by increasing them in line with the cost of living. But merely maintaining the real value of a vested pension will not meet the objective of relating it to ultimate final salary. The more one examines the problem the more one is led to the conclusion that however desirable the objective of full transferability may be economically, the practical difficulties of attaining it make any development in his direction impossible. For this reason, opinion in the rarified, specialist field of pension consultancy and operation tends to favour the institution of compulsory vesting of pension rights as the next reform in this field. Whether the government will agree is another matter.

Timber and General

Mutual Accident Insurance Association Limited

T and G

The Insurance Association Specialising in

Employers Liability and Public Liability Insurances

Participation in Profits

Fire and Consequential Loss Insurances

write to

Moor House, London Wall, London, E.C.2

Telephone: National 9461/4

COVERS THE WORLD

GROUP

Temporary Head Office

Eagle Star House, Aldwych, London W.C.2

Branches and Agents throughout the world

Established 1841

DURING THE PERIOD of the industrial revolution when workers were flocking to the towns, the chapel was a comfort to the vast number of people who lived under conditions of hardship. The Wesleyan & General Assurance Society originated in one of those chapels on a mutual basis. The business expanded rapidly.

In the century that has followed, the Society has continued its good work with the integrity that John Wesley would have approved, adapting itself to the ever changing economic conditions of the country and its people. No longer connected in any way with any religious organisation, it presents itself primarily as a Home Service Office specialising in insurance for the family. Its representatives offer a full range of contracts—life, endowment, educational for the children, house purchase, fire, burglary, motor etc. and premiums will, if desired, be collected at the door.

The Wesleyan & General has over 2 million policies in force. The premium income exceeds £6 million and the assets exceed £49 million. It operates under a private Act of Parliament. There are no shareholders.

Chief Office: WESLEYAN & GENERAL ASSURANCE SOCIETY, COLMORE CIRCUS, RINGWAY, BIRMINGHAM 4

PEACE OF MIND FOR RETIREMENT

Our ANNUITY rates are attracting increasing attention.

Our Annuities are normally payable by half-yearly instalments without proportion to date of death, for each £100 of purchase money, the first payment being made to the Investor 6 months from the date of purchase.

Please write NOW for our fully explanatory folder entitled "IMMEDIATE ANNUITIES". Quotations for annuities payable otherwise than half-yearly on request to

EXAMPLE
Male aged 65 last birthday,
Purchase money £1,000
Annuity p.a. £115. 10s.

PIONEER
LIFE ASSURANCE COMPANY
31 DALE STREET, LIVERPOOL 2.

THE
ORION
INSURANCE COMPANY LIMITED

Marine · Fire · Accident · Aviation

Head Office
70-72 KING WILLIAM STREET, LONDON, E.C.4.
Marine Office
56-59 FENCHURCH STREET, LONDON, E.C.3.
Telephone Mansion House 4567 : *Cables* Stargram London E.C.4.

BUSINESS BRIEF

The London gold market had its heaviest turnover in a heavy year on Wednesday—but the price was held down.

Gold jitters reflected in part M. Giscard d'Estaing's scepticism and the Americans' call for an early conference on reform of the world liquidity system. Mr Callaghan's trip to Paris suddenly looks awkwardly timed.

Wall Street reacted to Mr McNamara's sobering remarks on Vietnam, falling sharply in heavy trading on Tuesday. World markets generally continued to drift lower.

Belgium has moved to ease its credit squeeze.

HERE WE DON'T GO AGAIN

Britain's economic future still hinges on the pound. It is not a happy coupling. Admittedly, sterling could well survive the rest of the year without a new bout of heavy speculative pressure. The sheer enormity of the hedge that dealers in the foreign exchange markets have built up since November may ensure relative calm—although there are bound to be bad moments. Seasonal pressures traditionally associated with the third quarter may have already been more than fully discounted this year. **So the pound may squeak by without further official action.** This brief assessment of the economic outlook up to the second quarter of 1966 assumes no further change in government policy.

It is impossible to look further ahead. For if the immediate crisis of confidence over the pound may be licked, Britain's basic balance of payments problem is not. There has of course been some improvement in the underlying position. Partial data already available for the first half of the year suggest that Britain's deficit on current account was cut to no more than £140-150 million at an annual rate. This was a considerable improvement on last year's current deficit of £374 million. **A further improvement in the balance of payments can be expected over the remaining months of the year.**

The snag in all of this is that the improvement is coming primarily from the import side of the trade accounts. We assume (optimistically?) that the import surcharge will not again be undermined by premature announcements of coming reductions. More important, we see a distinct softening of the domestic economy—and above all a run down in stocks—bringing down the import bill. But we see little reason, either on the basis of performance to date or the growth prospects in Britain's major markets overseas, to look for a strong upsurge in exports. **The pattern is indeed distressingly familiar—even down to the threats of direct action on incomes and prices at home.** It looks as if Britain is once again merely buying time for the pound. And buying it at the price of no growth at home.

On all fronts key indicators suggest that by the turn of the year, the British economy will be settling down, once again, for a period of stagnation. In aggregate a repeat

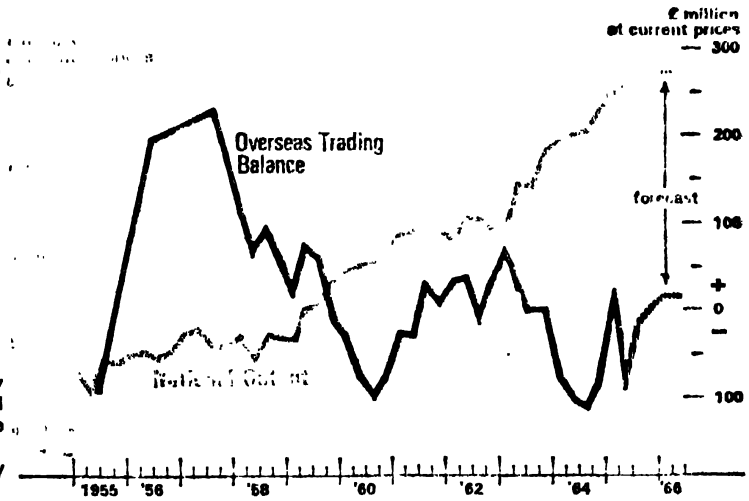
THE STOP GO CYCLE

Our Guesstimates

	Per cent changes in real terms	
	1965 on 1964	1st qtr. 1966 on 1st qtr. 1965
Consumers expenditure	+3½	+1½
Public consumption	+3¾	+2½
Capital formation	+8	+3
Exports	+3¾	+3¼
Final expenditure	+3¼	+1¾
Imports	—1	+1½
Net taxes on spending	+5¼	+3¼
Gross domestic product	+4¼	+1¾

Stockbuilding is assumed to fall from nearly £500 million in 1964 to £230 million in 1965, and to an annual rate of around £100 million in the first quarter of 1966.

Figures on the chart alongside are seasonally adjusted.



of the post 1959-60 boom experience now seems inevitable. The purchasing power of personal incomes, which are now 6½% higher than a year ago, has been cut back by higher taxes and rising prices. An optimistic guess puts real consumer spending in the first quarter of 1966 only 1½% up on the twelve months.

Consumption Slows

This growth in personal consumption is a good deal less than our statisticians had forecast at the start of the year. On the other hand consumption has already risen much faster than expected. Over the course of last year it went up nearly 3%: and then again, by a further 1.7%, in the first quarter of this year.

But there is not much further gain in real personal incomes in immediate prospect. Excessive wage demands have certainly still to work through. Retail prices, however, 4½% up since the election, show no likelihood of levelling off. A two year rise in consumer prices between mid-1964 and mid-1966 of 8% now looks on the cards. Increases in earnings of as much as 4% a year would therefore only maintain purchasing power over this period and it seems probable that the rate of personal savings must decline until spending habits can be adjusted. Retail sales, accounting for half of consumer spending, are already falling.

Investment and Exports

Business opinion tests indicate a probable downturn in investment towards the end of the year. Even the more optimistic Board of Trade survey implies a downturn sometime in the next twelve months. Only public investment looks as though it will enter 1966 on a rising tide: big lumps of it are committed a good way ahead. **In total, fixed capital expenditure should still show an impressive 8% gain in 1965 over 1964—but with no growth left for next year.**

Following familiar lines imports are being held back by slowing down the economy. The rate of stockbuilding is down and the stocks-output ratio, already low by comparison with the previous cycle, could, we think, fall still more. This, however, is now the joker in the pack: we could be off course in our assumption that stockbuilding will have nearly disappeared by early next year. (Other analysts believe it will remain sizeable because stocks are historically low in relation to output: we do not feel the historical ratio here proves anything.)

Exporters persist in optimism which the figures don't justify. Exports, we believe, may rise at about 1% a quarter. There is no evidence that a cutback in consumer spending in Britain increases its exports.

National output should therefore, we think, continue to rise until the end of the year; although at a slower rate. But despite all the similarities between this year and 1961, two differences—a broader based investment and a flatter stockbuilding cycle—could stop output from actually falling. **With public spending on current as well as capital accounts still rising output could just be holding up even after the turn of the year. This does not mean that some industries will not feel the pinch; indeed they already are.**

Industrial Prospects

The experience of most industries follows much the same pattern: the sharp rises in production of last year that in some cases spilled into the beginning of this have levelled off. The total output index flicked up a half-point in May—but was no higher than in December. **In only a few industries, though, is the trend actually expected to turn down.**

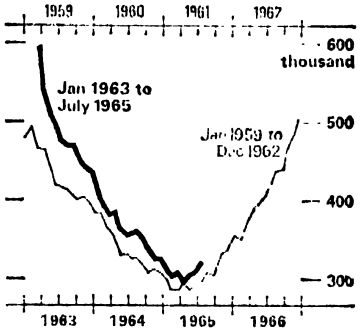
The motor industry in particular is predicting that its output will end the year well down. (Its main indicator, and traditionally a reliable one, is the softening observed in secondhand prices.) Within this total trend, predictions of different motor companies vary wildly—but in all cases, exports are expected to decline.

Textiles have already entered a period of stock decline. Output of consumer durables is down. More generally, engineering orders, which look some months ahead, show signs of slipping. **The cumulative effects of these movements are expected by the steel industry to result in a sharp drop in steel production—presently running level—in the last quarter.** This, although two major steel-using industries—shipbuilding and construction — report significant strength. The chemical industry is expecting production to be steady through the year. All in all, output could lag for as long as 2½ years. This would imply no significant increase in employment and some rise in unemployment. **In fact, the unemployment rate has been rising for three months.**

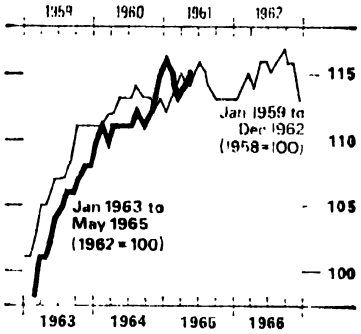
1961 ALL OVER AGAIN

In these four charts the thin line shows developments in the four years starting January 1959, the solid line in the period since January 1963. Unemployment is in actual numbers, but the other indicators are index numbers. Data are seasonally adjusted.

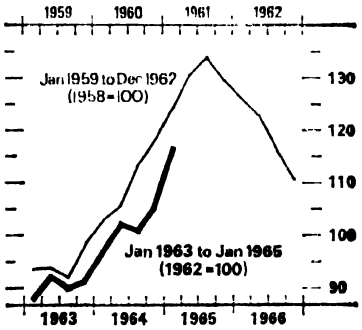
Unemployment



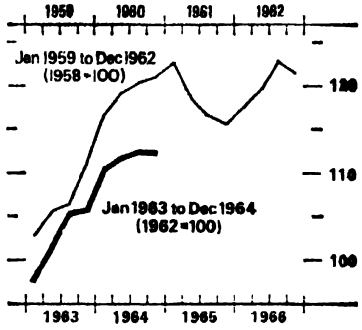
Industrial Output



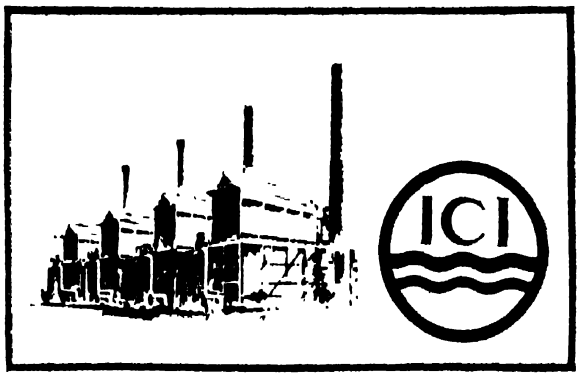
Manufacturing Investment



Imports of Goods and Services



ICI AGRICULTURAL DIVISION PROCESSES MEAN MORE FOOD—A BETTER LIFE—FOR MORE PEOPLE



By 1966 ICI will be the largest single producer of ammonia in the world. This world leadership has been reached after 40 years' experience, during which all aspects of research, development, construction and production have been studied in depth. ICI sells its technical 'know-how' through licensed contractors. Throughout the world 78 plants have been or are being built to operate ICI processes.

For information on ICI Ammonia and Fertilizer Processes write to

THE LICENSING MANAGER
IMPERIAL CHEMICAL INDUSTRIES LIMITED
AGRICULTURAL DIVISION, BILLINGHAM, CO. DURHAM, ENGLAND

This is the East...

Economic development in Asia is bringing higher living standards to these young people and to the vast population of that continent. Demand for an ever increasing range of merchandise is steadily rising. If you are interested in trade with these expanding markets, you are invited to avail yourself of the banking and information services of The Chartered Bank and its subsidiary, The Eastern Bank Limited. The combined organisation of the two banks comprises one hundred and thirty branches in twenty-seven territories extending from the Eastern Mediterranean to the Pacific Ocean.

THE CHARTERED BANK

(Incorporated by Royal Charter, 1853)

HEAD OFFICE: 38 BISHOPSGATE, LONDON, E.C.2

West End, London branch: 2 Regent Street, London, S.W.1 • Offices in the United Kingdom also at Manchester and Liverpool, in Germany at Hamburg and in the United States at New York and San Francisco

The Eastern Bank Limited HEAD OFFICE: 2 & 3 CROSBY SQUARE, LONDON, E.C.3

Associated Banks: The Irano British Bank (Incorporated in Iran) • Allahabad Bank Limited (Incorporated in India) The Commercial Bank S.A.L. (Incorporated in Libya) • The Chartered Bank of London (Incorporated in California)

BUSINESS

Giro Junction at Crewe

This has been a better week for the Postmaster-General. On Tuesday he rebuked striking night telephonists with the sort of language he might have used earlier with the postal workers. On Wednesday he announced that the long overdue reform of Britain's money transmission facilities is now in hand

NOBODY—with the possible exception of the clearing banks themselves—denies the need for some sort of improvement. Indeed the agreement in the Commons debate on Wednesday was impressive ; argument was confined for the most part to questions of cost and the hypothetical cash balances that individuals would hold with the giro. The need for some such innovation emerged clearly in the middle 1950s. It was then that the rapid spread of hire purchase brought whole new sections of the population into the "credit economy"—people whose transactions in the past had been almost wholly, and conveniently, in cash, with the post office in the background for their savings. Simultaneously factories were tending to get larger. So, too, were wage packets. Cash on the move became recognised, by criminals, employers, banks and insurers as the most conspicuous and accessible target for theft. Insurance premium rates for cash in transit have quadrupled since 1960. No doubt the act permitting the payment of wages by cheque or bank transfer did some good. But only a small proportion of those paid by cash tend to have bank accounts ; and clearing cheques through a post office account takes a week. Similarly the banks' credit transfer system has facilitated the making of payments for those without bank accounts. But once again the benefit has been limited, this time by bank opening hours and the uneven coverage of their branches.

A giro of some kind or other is the obvious answer. It is used in comparable continental countries. It transfers money simply and directly ; wherever possible money is transferred from one giro account to another by sending written instructions to the giro office. Within 24 or 48 hours the office replies to payer and payee that their accounts have been debited or credited, and statements of account are issued periodically.

Objections to the giro have been mounted on two grounds : that it would need heavy subsidies or, alternatively, that a giro would duplicate existing banking services in Britain. Whether a subsidy would be needed depends upon the total of the balances held with the giro by account holders. No interest on these balances would be paid ; but the total funds in the system would be relatively stable, and could therefore be invested. This investment income would partly cover the costs of running the system, although Mr Benn intends that charges for some transactions would be made too. According to Mr Benn, 1¼ million account holders, with average balances of somewhere between £100 and £150, would be enough to give a return of 8 per cent on the £4-5 million investment in the buildings and equipment—comparatively little other fixed capital would be needed. The clearing office will employ 3,000, work 24 hours a day, seven days a week, and be located close to a railway centre, suitably far from London and the south east of England. Hence the choice of Crewe, making quite a comeback for that legendary railway centre. Deposits of cash into the giro will be handled at post offices, with no charge for cash deposits into one's own account, but ninepence for cash payment into somebody else's (say the Gas Board's). Cash withdrawals from the giro will need a postal cheque, costing ninepence. These will be obtainable from the giro office, cashable in post offices, and payable either to oneself or somebody else (e.g., a relative without a giro account). In some post offices it will also be possible to withdraw up to £20 on demand. But the crucial point about a giro is that the overwhelming bulk of transactions takes place through the post, with instructions passing to and from the giro office and no cash changing hands. No charge will be made for these account-to-account transfers.

THE other objection, of needless duplication, is the one to which the clearing banks have clung in the past. But the fact that no more than one adult in three has a bank account in a society in which income is as widely distributed as in Britain today is itself the measure of the banks' failure to provide a service suitable for the man in the street. This criticism is only strengthened by the moves now under consideration for the banks to close on Saturday without necessarily extending their Victorian hours on weekdays. Nor is it even certain that a giro has no place in countries where the banking habit is highly developed. Sweden is one of these. Yet the banks there find it convenient to use the giro for transferring their balances, not only from bank to bank but also from branch to branch. The only possible objection from the banks that bears serious scrutiny is that their credit transfer system removes the need for a giro. But even here there are difficulties. Bank opening hours and locations are one. And at sixpence a time the banks are probably only covering their marginal costs of the operation. Why otherwise do debit transfers (i.e., cheques) cost about a shilling

a time? It may be acceptable for normal bank customers to subsidise, in this sense, credit transfers so long as they constitute only around 2 per cent of all bank clearings as at present. Some other pricing formula would obviously be needed if credit transfers really got going

British banking habits and the credit transfer system do not rule out the need for improvement in money transmission facilities; but, as *The Economist* has argued before, they are factors that ought to be taken into account when considering the type of reform most suitable for British conditions. Thus it is reassuring to see that special consideration has already been given to the need to secure the maximum dovetailing with the banks' credit transfer machinery. It should be possible, in other words, to transfer money direct from a giro account into a bank account. There is evidently no intention of running the giro as a completely separate and self-contained unit, as happens in some other countries.

But there is a price to be paid for this dovetailing. It will not be necessary for commercial concerns, or indeed for anybody with a bank account, to hold balances with the giro. In Holland, 50 per cent of the giro deposits at the end of 1962 belonged to 6 per cent of the account holders. It is a fair guess that under Mr Benn's plan those 6 per cent of account holders in Britain would have bank accounts. The British giro would, therefore, have to do without most of the 50 per cent of the deposits, and the investment income from them. But Mr Benn seems to have allowed for this in his costings.

If he has not, the return might be less than he expects. Indeed, remembering that his predecessor, who carried out a similar survey two years earlier, reckoned that 5 million accounts averaging £100 or 1 million averaging £200 would be needed simply to break even, perhaps there will be no profit at all. (Which just shows how surveys can produce the answers that their organisers may wish for.) But if Mr Benn's estimates do prove faulty, this may be just as well in the end. For had they shown that some subsidy would be needed, pressure from the Treasury might have obliged him to adopt one of two far less satisfactory alternatives. Either to do nothing, or to try to make the giro completely self-contained, and divorced from the machinery of the clearing banks.

This would entail a colossal misuse of resources as post offices would then become heavily overcrowded and many bank branches even less adequately utilised than now. The charge of wasteful duplication—which comes only too easily to the lips of clearing bankers whenever the word giro is even mentioned—would have been given some substance.

But the sort of dovetailing Mr Benn is intending will clearly have awkward implications for the clearing banks. Undoubtedly many of their existing customers have bank accounts simply to facilitate making payments. Will these customers now desert for the giro? The answer here, painful though it might be for the banks (who have their staff problems, as we all do), may depend upon price and service. The banks are not without advantages. They start with well equipped buildings, often better located and sometimes pleasanter than post offices. Customers can overdraw in an emergency, or obtain a loan when needed. For a population growing increasingly wealthy, and whose financial transactions must inevitably become more complicated, these are important attractions. It is up to the banks to exploit them to the full. This may mean a revolution in their methods of working and perhaps some sort of shift working. It may also mean that individual facilities may have to be charged out separately, according to a formula that is both fair and comprehensible to the customer. But these reforms have been urged upon the banks for a long time. Indirectly, Mr Wedgwood Benn may have precipitated some action at last.

Whether he has achieved the right degree of dovetailing with the clearing banks will no doubt be clearer from the forthcoming white paper. It should also be easier to see whether one alternative solution has been fully explored: to use the Post Office Savings Bank as the foundation for a giro by linking it up with the banks' credit transfer system. But on balance this looks the sort of carefully thought-out, positive reform, that many people hoped would characterise the Labour party's present tenure of office. The same is true of Mr Douglas Jay's decision to move ahead with the metric system; but not of Mr James Callaghan's ill-considered plunge into the toils of the corporation tax. No matter. For him, too, an opportunity is waiting. Let him now draw up a programme for decimalising Britain's currency.

Chemical Engineers Unite!

Comfortably overwhelmed by, and desperately trying to keep up with, an investment boom, British engineering companies ought to keep an eye on the future. It could be bleak. They should remember the value of getting together

THE most patriotically-inclined chemical company in this country might be hard-pressed to buy British all the time: in the petrochemical sector it would probably go bust if it did. Which is why, when recently British Hydrocarbon Chemicals (a joint Distillers/British Petroleum company) gave the go-ahead for a quarter-million tons a year ethylene cracker, it was a foregone conclusion that it would be built by an American company, Stone and Webster. The same company is putting up a large cracker for Shell Chemicals: another American company, Kellogg International, is building one for Imperial Chemical Industries. As one chemical company says: "We cannot afford to give the British contractors really big jobs because they haven't the experience or the resources to cope." Nor are they likely to get either without the big orders; but who can take the risk? Success breeds success and no one dare be the first to try an untried British design—at a cost these days for ethylene crackers of £5 million. The ground lost if there was a terrible mistake, through delays or high operating costs, cannot easily be recovered.

This is not to say that the British companies are getting no orders at all. Far from it. They are picking up about

60 per cent of the chemical and refinery contracting business in Britain—but it is the other 40 per cent that should be worrying them. Not because it is outstandingly profitable, but because it is the area where the new processes and designs are being worked out—an area in which the Americans have what seems an unbeatable lead. This covers the area of petrochemicals and new oil-based processes; accounting for perhaps no more than a quarter of orders but a disproportionate amount of the advanced technology. The 60 per cent provides more than enough work even, during the present boom in investment, for the laggards: the main concern at the moment is to get the work done. When you are turning work away—as chemical engineers have been doing for months now—you do not think deeply about where you are going.

Chemical engineering is a polyglot technology. Because there is so much difference between what happens in a laboratory, in glass vessels and distillation columns holding a few litres at a time, and in a factory, where tons of a violently reacting mixture may be slopping around, a "science" has grown up to bridge the gap. It tries to be as theoretical and mathematically rigorous as it can be, but chemical engineering is basically a highly practical art in which experience and flair count for everything. The experience has been gained in two fields. For many years petroleum and chemical engineering developed separately, although both were dealing with many of the same problems: the transport, separation and chemical reactions of mixtures of fluids. Esso (or Union Carbide; the honour is disputed) made the first chemicals from petroleum feedstocks in about 1920. But it was not until the war that the two industries really got together and the great complex of petrochemical plants started to grow on the Gulf coast of Texas.

Before then, in the American refinery boom of the thirties, the whole mode of operation of the plant-building industry changed. Reasonably sure that they knew more than anyone else about their own business, petroleum companies had traditionally kept tight control over all design work and maintained huge stables of draughtsmen and designers. Engineering companies in those days were constructors who worked to drawings supplied by their customers. The same was even truer of the chemical companies, obsessed with secrecy and the need to preserve their process know-how—the main source of power in the international chemical industry—from prying eyes. But this pattern cracked, first in America, and there first in the oil industry in the refinery boom of the 30's, with the growth of engineering companies capable of designing on their own account. They were better able to do so in some cases than the companies themselves; for a successful engineering company could swiftly gain more experience than any individual petroleum company could hope to acquire.

This pattern of working spilled over into the chemical industry as their engineering techniques merged and as, to some extent, with oil companies investing heavily in chemicals and the refinery builders moved into chemical engineering, the industries themselves grew closer. Also the American companies like Kellogg had started a move across the Atlantic, attracted by the postwar boom in refinery building in Britain, virtually virgin territory. Faced by such competition, British engineering companies (many, like Power Gas and Humphreys and Glasgow, from the gas industry) have been hard at work adopting the techniques of the Americans. Other companies, like John Brown, have set up engineering contracting organisations from scratch, attracted by the prospects of a booming market. The competition between these companies, which fans out across the world, is fierce—which is to be expected, for the stakes are high. In few other industries do single units cost as much: contracts for whole projects, which can include many such units, can involve very large sums, like the £40 million contract for synthetic fibres plants signed by the consortium, Polyspinners, with the Russians.

THE engineer can operate at any of several levels. In putting up a plant, if one company has the job from start to finish, the flowsheet (based on know-how which must be acquired somewhere) is first translated into drawings; on the basis of the drawings, the ironmongery is shaped by fabricators; this is then assembled by constructors and made to work. Engineering companies usually stick simply to design and supervision and contract out—the fabrication and construction (Wimpey is working back from that end). The demands of the European customers—chemical or petroleum companies—will vary from the total unwillingness of some Continental chemical companies to buy at all to the total willingness of the communist countries, who must buy what they can and have little to keep secret. They include, in between, companies like Imperial Chemical Industries which will buy what it thinks to be the best processes in international markets, like the ethylene cracker from Kellogg, or basic plant, like sulphuric acid units, that it cannot be bothered to design, but which keeps the rest (about 60 per cent of its investment) very close to the chest. Oil companies are also somewhere in between, convinced that they know best how to design a refinery (and, with £60 million at stake, they are probably right); companies like BP will, nonetheless, commission individual bits from contractors that have particular specialities All the companies will probably use the contractors for some part of their work—even if, only, short of drawing capacity in their own offices, for their draughtsmen or supervising construction work.

In this inchoate mass of engineers offering services at several levels to a wide range of customers, the Americans take most of the important petrochemical orders with their edge in techniques and processes that were first developed in America, so that the engineering companies have not only the licences but also a growing fund of experience. Stone and Webster holds such a dominating position in ethylene; Kellogg in the big ammonia plants that are setting the pace in fertiliser expansions throughout the world. In these areas, other companies may try to compete; but when they lack special extra-technical advantage—it may be access to long-term credits for an overseas order—they are likely to have a lean time. For instance, no one seriously competes against Stone and Webster (which has built 62 of the 110 crackers in the world), or Kellogg, Lumus and Braun for the big crackers. And British companies that have been competing, such as Simon Engineering and Power Gas, have yet to make much money from the business; Humphreys and Glasgow has shown signs of having had enough, and of concentrating its resources on exploiting the boom in plant for the gas industry.

This move back shows that the shoe can be found on the

British foot: the steam-naphtha reforming process developed by ICI has given its British licensees just the sort of competitive edge that they have previously been feeling from the Americans. Power Gas and Humphreys and Glasgow—all old gas plant manufacturers—have been among the main beneficiaries of ICI's achievement. Similarly, the plastic polyethylene was invented in Britain so that the licensee, Simon-Carves (one of the biggest of the British engineers, with about £40 million of business a year) has gained experience, and export orders denied other companies.

Probably the most decisive advantage that British companies have is in their ability to go places where the Americans cannot follow, notably into communist countries. Eastern European countries are the biggest overseas customers for British process equipment and account for a seventh of the £600 million total. The Russians would like to do business with American chemical engineers but the State Department forbids the sale of unpublished know-how to communist countries, which includes most of the know-how worth knowing. So the British companies have been provided with a ground in which to display their versatility, sometimes with disastrous results. Elsewhere they look for unconsidered trifles, although these can lead to some pretty shady encounters; as when one fibres plant, hotly contested between two European engineering companies, turned out to be a chimera, a counter in an elaborate tactic to secure a quick profit by a shadow customer.

But these are not prescriptions for surviving well into an old age. The engineering industry has come into existence, even if in parts it exists precariously. But it cannot hope to push its way into the front ranks in its present shape: too many companies, too small, in which the existing talent is spread far too thin. To support the wide range of specialists that big jobs demand, large units are needed. Then the big projects might begin to go British, for there would be more confidence among the chemical companies that deal them out that they could be coped with. Then, too, the British companies might be able to afford the sort of offices that companies like Bechtel and Kellogg provide for their executives—something between the hushed opulence of a Bond Street fur showroom and the dynamic modernity of an international airport—which might even make the frantic life that most of the executives lead seem almost worth while.

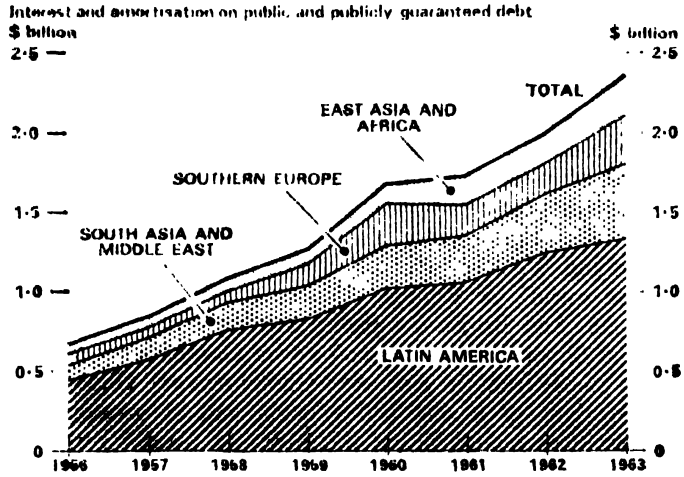
Aid for Debt

A set of frightening statistics worked up by the World Bank show that most of the increase in aid given to the poorer countries in recent years has been coming straight back in repayments for old loans

DISCUSSIONS of the Development Assistance Committee of the organisation for Economic Co-operation and Development in Paris this week have been as concerned with the terms as with the quantity of aid that its rich members are extending to the developing world. The arguments for a concerted move towards softer terms in aid programmes are not in themselves new. But their urgency is. A special report based on data from the World Bank shows that from 1955 to the end of 1963, 37 major developing countries, accounting for some three-quarters of the population of the United Nations Trade and Development club of 70-odd poor countries, increased their public and publicly-guaranteed external debt from $7 billion to a whopping $21½ billion. The cost of servicing such debts has been rising faster still. Over the eight years to 1964 these countries' annual interest and amortisation payments leapt fourfold to $2.7 billion. This return flow to the industrialised countries swallowed up virtually the whole of the increase in aid over the period. The amount of "uncommitted" aid left over was no larger last year than it had been in the mid-1950s. In real terms it was less. This at a time when the capacity of the poorer countries to finance essential imports, as well as increasing service payments on past borrowing, has been seriously curtailed by falling prices for their major exports. A recent report by

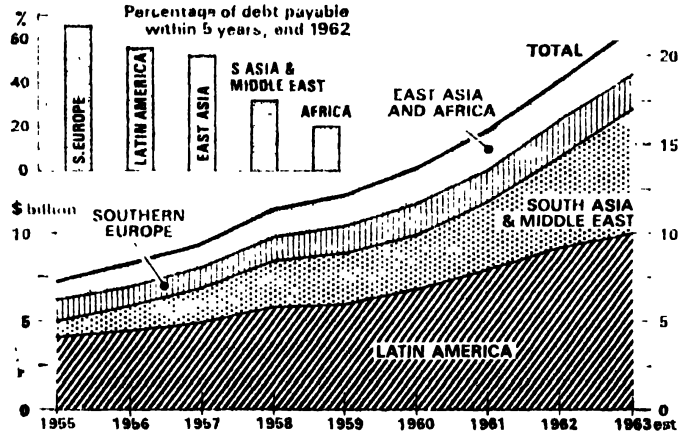
SERVICE PAYMENTS MOUNT

Interest and amortisation on public and publicly guaranteed debt



TOO MUCH DEBT AT TOO SHORT NOTICE

Public and publicly guaranteed debt outstanding at end of year



Data covers 37 countries in all, 18 in Latin America and 12 in East Asia and Africa. South east Asia and the Middle East includes India Pakistan Israel and Iran Southern Europe includes Jugoslavia Turkey and Spain

the Food and Agriculture Organisation of the United Nations show that export prices of agricultural commodities last year fell by an average of 12 per cent. The decline was led by commodities such as sugar, coffee, cocoa and hard fibres, on which the developing countries depend. And it has continued this year.

The result has been, all too often, a critical cash squeeze. The situation is at its worst in Latin America: Argentina, Brazil and Chile enjoy the dubious distinction of heading any list of classic examples of countries that periodically have to be bailed out of exchange crises with emergency credits and debt moratoriums. Aid officials refer familiarly now to "the ABC's." For Latin America as a whole the Alliance for Progress has estimated that payments of amortisation and interest will account for fully two-thirds of the enormous $3 billion balance of payments deficit expected this year. What is even more worrisome is the thought that Latin America's present difficulties may point to the future pattern elsewhere: the Latin Americans were early starters on the development path. Some countries in Africa and Asia are already getting into deep water. India is facing a full-fledged crisis, with the country's reserves down very nearly to their legal minimum (see page 367). Measured against countries' present—and prospective—earnings of foreign exchange, debt servicing obligations are also approaching critical levels in Egypt Ghana and Nigeria. Clearly something needs to be done to ease the strain. And moratoriums—however useful in the short run—are not a lasting solution.

The fundamental difficulty in all these countries—above all in India—is that it will be a very long time indeed before they will be able to generate sufficient domestic savings and exports to cover their investment and import requirements. It will take them longer still to meet interest and then amortisation payments on accumulated foreign debt out of their own resources. Where per capita incomes are very low, population pressures intense, skills scarce and resistance to social change deep-seated, domestic savings and returns to capital simply cannot be pushed up rapidly by democratic regimes: going it alone just isn't on. To achieve even a relatively modest growth in living standards could require a net inflow of capital from overseas for several decades. And if this money comes in as conventional loans at "hard" terms total indebtedness and servicing obligations mount very rapidly indeed: debt contracted at 6 per cent a year doubles in 12 years if interest and principal are capitalised.

To meet these obligations requires not only a bigger national cake. Usually it also requires major structural changes in the aided economy, to translate domestic resources into foreign exchange. Higher imports of capital goods can to some extent be offset by the development of domestic sources for formerly imported) consumer goods. But in practice what is needed above all in most developing countries is the build-up of more promising export industries. World demand for primary products, and especially basic foodstuffs, is growing only sluggishly. There are exceptions to be sure: meat, to mention just one. But not many. Yet breaking into the expanding field of manufactured exports is, for the poorer countries, extraordinarily difficult. The light consumer goods, such as textiles, in which these countries are equipped to compete at a relatively early stage of development, continue to run into protectionist restrictions in western markets. Thorough-going industrialisation, and the development of competitive technical products, is a very long-term proposition indeed.

What all this amounts to is that even with the best will, and the best management, many of the poorer countries cannot be expected to begin to repay borrowed capital for many years—much less pay an interest return of 6-7 per cent to boot. The kind of ratio of debt service to export earnings that rapidly growing and relatively advanced economies like Israel and Mexico can safely carry is no guide to the burden that India or Colombia can realistically be asked to bear.

MEASURING THE DEBT BURDEN

Service payments on public and publicly guaranteed debt, 1963

	Millions of dollars	As a percentage of: Total receipts on current account	Exports	Reserves
Turkey	154 8	29 6	42·1	87 0
Brazil	334 2	22·4	23·8	105·1
Israel	118 5	20·5	33·9	23·3
Colombia	103 2	17·5	23·1	97 4
Argentina	249·2	17·5	18·3	92·3
Mexico	296·3	17·4	30·1	59·6
Chile	101 6	15 8	18 8	131 9
India	238 0	11·8	14·7	39·2
Peru	58·3	10·4	10·8	46·3
Iran	62 6	10·0	6·7	27·3
Pakistan	58 1	9 7	14 0	19·9

There has in fact been a considerable easing in the terms of official loans to the developing countries. The soft-loan subsidiary of the World Bank, the International Development Association, has led the way with loans of up to 50 years bearing only a ¾ per cent service charge. Canada has recently promised to bring its lending terms closer to the IDA's. If Mrs Barbara Castle's new policy goes through, Britain will go one better—completely eliminating any charge on loans. But progress has not been even. The American authorities are under pressure from a Congress tired of handing out money at easy terms to "ungrateful" governments abroad and impatient for hard results, to charge interest of at least 2½ per cent on loans—the theory being that this will at least impress recipients with the need to use the money efficiently. Outright grants have generally fallen out of favour in recent years. And, while the average interest charge on official loans outstanding of developing countries has now come down to just over 3 per cent, on a weighted average the average life of these loans is still well under 10 years. There is still a large overhang of very short-term debt plaguing the developing countries—a rapid rise in amortisation payments was the major element in the frightening growth, by 17 per cent a year in 1956-64, of the total servicing obligations of underdeveloped countries.

This is a far cry indeed from the World Bank's suggestion that the minimum target should be low-interest loans with 20-25 years to run. Perhaps the exhaustive statistics being put before the DAC committee in Paris will convince its members to make haste more quickly. There are two trip cords. One is the insistence of lending countries that the use made of aid funds be closely supervised, coupled with a reluctance to entrust the job (or rather the money) to multilateral institutions. This resistance is perhaps softening: on Mr Eugene Black's call for an Asian Development Bank may get a sympathetic hearing, in the West at any rate. More worrying is the other sticking point, the liquidity of the industrialised countries themselves: Mrs Castle was in no position to link her initiative on terms of aid with promises of bigger quantities as well. It would be tragic nonsense indeed if the tendency of lending countries to dig in their heels on this issue shut the door to further progress on aid as well.

BUSINESS □ BRITAIN

PERSONAL INCOMES

Savings on the Turn?

ALTHOUGH a decline in new National Savings often represents no more than switching into other, more profitable investments, the current slump seems to reflect, in addition, a nascent contraction in personal savings as a whole. Our own projection, in the accompanying table, is that rising prices and tighter credit combined to reduce total personal savings to 7.8 per cent of personal disposable income in the first quarter, from over 8 per cent in the first quarter of last year and for 1964 as a whole. Moreover, it seems likely on present trends that the proportion will slip further, to just over 7 per cent, for all of 1965.

The contraction in the first quarter appears to have been far greater for National Savings as such, represented by deposits at Post Office savings banks, trustee savings banks and holdings of non-marketable Government securities. After benefiting modestly in the second and third quarters of last year from the National Development Bonds and other innovations introduced by Mr Maudling in his 1964 budget, the growth of National Savings was abruptly checked when rival interest rates shot up in the autumn. Again on the basis of our own projections, National Savings declined to under 21 per cent of total personal savings in the first quarter, from 29 per cent a year earlier and 37 per cent in the first quarter of 1963.

The National Savings movement's figures for the first 15 weeks of its financial year, to July 17th, show that nearly all classes of National Savings investments rose less or declined more than in the comparable 1964 period. The single, and significant exception was the Post Office, whose small depositors are not readily influenced by changes in interest rates, and who are attracted in any case by services offered rather than the return, although even at 2½ per cent this is fair enough for what is virtually a current account

At present, hire purchase companies, local authorities, building societies and even gilt-edged securities and Treasury bills all yield more than most National Savings instruments.

The really massive shift has been into local authority deposits, which have also been attracting a good flow of overseas funds. To a lesser extent, British investors have also been switching into deposits at hire-purchase finance houses. Deposits at building societies have almost certainly begun to pick up since the societies began raising their rates in the late spring, but net personal deposits at commercial banks have probably been rising somewhat more modestly since June, when Bank rate came down from 7 to 6 per cent.

HOW PEOPLE SAVE

£mn

	1962	1963	1964	1st quarter 1963	1st quarter 1964	1st quarter 1965
Disposable personal income	20,281	21,453	22,960	5,186	5,635	5,945
Total personal savings	1,572	1,723	1,922	397	465	461
Personal savings as % of disposable income	7·8	8·0	8·4	7·7	8·3	7·8
*Net new National Savings	238	314	356	148	133	96
National Savings as % of personal savings	15·1	18·2	18·5	37·3	28·6	20·8
Increases (+) in certain financial assets —						
Net personal deposits with banks	84	367	454	−91	−74	55
Shares and deposits with building societies	372	490	514	133	164	98
National Savings	238	314	356	148	133	96
Tax reserve certificates	−4	2	7	24	−27	−22
Unit Trust: units	34	60	77	12	20	17
Personal deposits with hire purchase cos	—	10	23	2	6	10
Short-term personal deposits with local authorities†	—	−4	30	8	16	57

* Net new National Savings show a strong seasonal increase in the first quarter
** *The Economist's own projections*
† For financial years ending March 31

ROVER/GENERAL MOTORS

Strictly Technical

NEWS that the Rover Motor company had acquired technical rights to a General Motors engine has trickled out through *Automotive News*, an American motor trade paper. Rover does not deny it, but is playing it cool, emphasising "that this is a strictly commercial deal . . . that current models of cars are not affected . . . that there is no projected association . . . that it strictly concerns technical information on engines . . . to be used on long-term plans." Nevertheless it is an extremely important step.

On expensive European cars petrol consumption is less important now than reliability. Which leads, logically, to powerful, low-revving, long-life, compact, v-shaped light-alloy engines instead of the smaller high-revving units traditionally used. Such motors have long been made in the United States, where petrol consumption was never important, and there are a number of hybrid cars on the market. Rover is different. Other companies import their engines: Rover will probably manufacture the 3½-litre GM design, which is an aluminium V-8 model, used until recently in the Buick Special and Oldsmobile F-85 but with no enormous success; it turned out to be not entirely suitable for large-scale manufacture. However, Rover is a comparatively small company that could use an engine of about 3½ litres in four cars: as a replacement for its now-ageing 3-litre model (and the newly acquired and also obsolescent Alvis 3-litre as well); for a more powerful version of the Rover 2000, now being made at 550 a week, and for the Land-Rover (1,200 a week at least). Rover is saved the very considerable expense and time needed to develop a new engine; compare Saab, another medium-sized motor group, which has recently contracted to buy a new engine from Standard-Triumph at a rate of up to 50,000 a year. Such a purchase shows how high a production rate is needed to justify the development of a new unit.

Rover is at the moment trying to sell its 2000 car in the United States, where until now it had only really been marketing the Land-Rover. The use of a GM engine—even one no longer being made there—would be a useful selling point. Whether GM, which has its own gas turbine for lorries, is interested in buying Rover's design, as a sort of *quid pro quo*, is another matter.

SHIPBUILDING

Forward to Flexibility

AT last, some real progress is being made towards removing restrictive practices that have been, among other problems, crippling Britain's shipbuilding industry for far too long. Smith's Dock, a company which builds and repairs ships on the Tyne and the Tees, announced it had reached an agreement with the unions in its Tees-side shipyard that will allow men working in eight traditional crafts in the steel working side of the shipbuilding industry to switch from one job to another. The agreement includes categories which are traditional subdivisions of the Boilermakers and Shipwrights Unions that combined (in name

If there isn't a Barclays you're probably lost....

For not only is Barclays Bank the biggest bank in Britain; the Barclays Group has many more branches than any other banking organisation in the western world.

In more than 4,100 branches in 45 countries Barclays are helping to build the business of tomorrow.

The Barclays Group of Banks

Money is our business

Barclays Bank Limited · Barclays Bank D.C.O · Barclays Overseas Development Corporation Limited · The British Linen Bank · Barclays Bank (France) Limited · Barclays Export Finance Company Limited · Barclays Bank Executor and Trustee Company (Channel Islands) Limited · Credit Congolais S.C.R.L. · Associated Companies: United Dominions Trust · Bank of London and Montreal · Banque de Bruxelles · Banque de Commerce · Banco del Desarrollo Económico Español

Dear Man from the Pru: It's time you met Edward John Stewart.

Only nine months old, and already he's not one of your customers.

Ted lives in Leeds. He's one of quarter of a million babies that were born in the North last year. His dad's just taken out a whopping insurance policy for him. But it wasn't one of your policies.

They buy plenty of insurance in Granadaland. Last year it came to about £50 per family. That's well over £200,000,000 in all.

Next year, there'll be more babies than ever, and more insurance. If you'd like to get a bigger chunk of it, here's a hint.

Five nights a week, most Northerners watch Granada Television. Advertisements and all. Interested?

GRANADA TELEVISION

only) two years ago. However, it falls short of providing for wholesale reorganisation of the shipyard union structure. It means simply that, if there is a shortage of one particular trade and surplus of another, surplus men will move into the trade that is short after an appropriate period of on-the-job retraining.

The agreement goes considerably further than that announced by the John Brown shipyard on the Clyde in May concerning platers and shipwrights. But while Smith's Dock have achieved the greatest degree of labour flexibility announced so far, there are signs that similar, and possibly more extensive, agreements will be announced in a number of other shipyards within the next two months with yards on the Tyne and the Tees likely to take the lead. The Clyde should not be far behind; Lithgows is already in the process of discussing increased labour flexibility, as is John Brown.

But this optimistic picture is being marred by a strike of electricians at John Brown's shipyard that could spread to other yards on the Clyde. The twist here is that the electricians are accusing the employers of applying restrictive practices by not agreeing to what they call a "modern payment by results scheme." Whatever the men call it, their demands represent wage increases which the industry cannot afford without drastically improved productivity.

DOMESTIC APPLIANCES

Ways to Sales

PHILIPS ELECTRICAL is giving up selling any of its domestic appliances direct to retailers—except for the biggest stores, chains and the electricity board showrooms—from August 1st. Instead it will sell through selected wholesalers, as it already does its smaller appliances like shavers, food mixers and electric blankets. Many manufacturers still prefer to sell direct to all but the smallest or more inaccessible retailers. Philips argues that it is expensive to promote and sell appliances to every dealer in every little town. And the company reckons that this money could be better spent "selling out"—i.e. selling to the public by helping retailers to get the image over—rather than "selling in"—i.e. selling to the trade. But as the wholesaler will now expect his cut of profit and the retailer will still expect his margin of 22½ per cent Philips may not find that there is all that much left over for a "selling out" campaign.

If, however, Philips really is going to save money this way, the public might be more impressed by lower prices than any other gimmick that the salesmen can dream up—especially if it were quite clear that after sales service would be improved. The promise of after sales service is certainly a good selling line, which may be why there has not been a rush to buy cut-price Hoover appliances since the company abandoned resale price maintenance. And retailers have found the public sometimes prefer to buy the higher-priced appliance with service rather than the cut-price model without, even if the two machines are standing alongside each other. But what exactly is the service that is offered, apart from free installation and demonstration? Repairs, except under the guarantee, are not free. The argument goes that the high initial cost allows for lower repair charges and a quick service. But is this always worth the extra cost?

FUEL CELLS

Another Century or So?

"WHY," people have been saying for years when confronted with fuel cells, "bother with crude, noisy, inefficient internal combustion engines when such an elegant and silent device exists to turn fuel into electricity with no moving parts?" Because the crude and noisy engine works, that's why; while the chances of developing a fuel cell that might replace it are seeming every day more and more remote. The idea is simple and attractive: to draw electricity direct from chemical reactions instead of having to pass through several intermediate stages and different forms of energy first, with losses in efficiency at each. A torch battery works in this way, but not continuously: when its chemicals (zinc, carbon and ammonium chloride) are used up it has to be replaced. The attractions of the fuel cell depend on its running continuously off fuel that is pumped in. The prospect still continues to beguile energetic crystalgazers. But, sadly, although specialised fuel cells have been developed whose high cost can be justified in some esoteric use, for instance in spacecraft or buoys, none look even remote possibilities for driving town runabouts, say, or generating electricity for general use. The reasons are inherent in the technical nature of the cells.

In a fuel cell the chemicals are brought together and react in the presence of a suitable catalyst, the electric charge being collected on electrodes. Ideally, such a cell would be cheap; use common fuels, like gasoline or kerosene; start at the press of a button like a car motor, and run at moderately low temperatures. (This last is connected with easy starting: high running temperatures mean a warm-up delay.) But these requirements are interlinked in a way that presently seems to make them mutually exclusive, and every desirable attribute is attained only at the expense of another. For instance, the simplest, most efficient cells run at high temperatures off specialised, purified fuels—like the hydrogen/oxygen cell that Bacon demonstrated at Cambridge six years ago, the first cell to give useful amounts of electricity, 5kW. Coming down in operating temperature means using a more active catalyst—which means the noble metal platinum. Shell has produced a platinum cell that runs off hydrogen (made by decomposing methyl alcohol) and air, but this adds greatly to the complexity of the cell; Esso has sacrificed some of the power obtainable from the purified fuels and made a cell that runs

KEY INDICATORS

THE BRITISH ECONOMY

INDUSTRIAL OUTPUT
Up half a per cent.

PRICES
Still upward, mainly due to seasonal rises in the price of food.

UNEMPLOYMENT
Up for the third month running.

	Month	Index 1958 100	Percentage change from: Previous month	Three months ago	Twelve months ago
Industrial production*	May	132	+½	Nil	+3½
employment*	April	103·9	—0·3	—0·4	+0·4
productivity	April	126·1	+1	—1	+2½
Export trade*†	June	124	—1	—3½	+2½
Retail trade*	May	122	Nil	—1	+3
Unemployment*	July	79·2	+3·4	+7·4	—10·8
Wage rates (weekly)	May	127·8	+0·3	+0·9	+3·7
Retail prices	June	121·3	+0·3	+2·5	+4·9
Export prices	May	109	Nil	Nil	+2

** Seasonally adjusted. Indicators of export and retail trade reflect movements in volume terms, i.e., in value at constant prices. Unemployment indicators refer to numbers wholly employed, excluding school-leavers. Total unemployment level in July running at an annual rate of 1.4 per cent. † Provisional.*

at low temperatures (say 60 C) off conventional fuels, but the catalyst is gradually poisoned by oxidation products. Even if it were not, the platinum needed for a car would cost £35,000—and anyway no car could contain the whole gallimaufry of fans, coolers and other necessary equipment, which would cost twice as much again.

Choosing another catalyst brings more problems, for platinum is the only active catalyst that can stand up to the strongly acidic conditions on which the whole process depends. Strong alkali would do as well, but brings other problems. Bacon's cell, an alkali cell with nickel catalyst, runs off hydrogen and oxygen at high pressure and at 600°C. This is not a possibility for a small power pack; and using conventional fuels under alkali conditions is out of the question since the carbon dioxide formed in the reaction combines with the alkali electrolyte to make carbonates that clog up the works. An exotic chemical like hydrazine can be used in an alkali cell, but its convenience is entirely outweighted by expense (40 times the cost of petrol) and unpleasantness. Sadly, even if these obstacles were overcome, the cell would still remain a highly complicated piece of equipment—as unlike a simple torch battery as possible—and far too expensive and bulky to carry around, or even to have in the house.

BICYCLES

Small wheels, new markets

RALEIGH INDUSTRIES, Britain's only major producer of bicycles, has now produced its own small-wheel machine, the RSW 16. This has been mistakenly thought of as an answer to the Moulton, which Raleigh turned down when it was offered the rights some years ago. Mr Alex Moulton, designer of the hydroelastic suspension now used on the majority of the British Motor Corporation's cars had designed his bicycle, using small wheels for convenience, ease of riding and freedom from lateral sway, with hydroelastic suspension to absorb the extra road shocks involved with small wheels. BMC now makes these bicycles, which are sold—at a rate of up to 1,000 a week in the home market—by Mr Moulton's own company. He also sells in twenty markets abroad, concentrating on sending parts overseas for local assembly.

The Moulton bicycle was a technical innovation, expensive, slow to catch on, but with a growing share of a static home market. The Raleigh machine provides a direct contrast: it is the first bicycle designed as a direct result of market research. The research showed what we all know, that people over 25 had virtually given up the bicycle. To get them back Raleigh has designed a machine easily adaptable for the whole family, made for short suburban shopping journeys with its built-in carrier bag and small thick wheels like a grown-up child's cycle. It has no rallying or racing potential, but could enlarge the whole home bicycle market, which has been around 650,000 to 700,000 a year of late. Abroad, it and the Moulton may give another lease of life to markets where competition from Japan and other cheap makers has been reinforced by tariffs designed to encourage local manufacture of so basic and simple a means of transport. Raleigh still exports about two-thirds of its output, but this trade—and consequently its production—declined sharply in 1964, although there has been something of a recovery in 1965. But the relief is temporary—for Raleigh, anyway. The Moulton suspension is patented; thick wheels and a carrier bag aren't.

BANKRUPTCIES

The Iceberg's Tip

TRADE credit has been described as an iceberg in the sea of company finance. Its great mass is hidden. It is only the minute fraction that goes really bad which is mulled over each year in the annual reports of the Board of Trade. Yet tiny as it is, this tip does indicate how the iceberg rolls through the broader swings of the business cycle. The rise in bankruptcies slowed down as the business cycle began picking up in 1962, and in each of the two years since the total has dropped progressively

BANKRUPT
Receiving Orders under Bankruptcy Acts

	By number	Change % on preceding year	Liabilities* £mn
1959	2,301	+2.3	7.7
1960	2,801	+21.7	10.6
1961	3,521	+25.7	14.8
1962	4,145	+17.7	14.4
1963	3,968	−4.3	13.1
1964	3,359	−15.4	13.4

*As estimated by debtors. Source: Board of Trade

The liabilities of bankrupt concerns, as estimated by the debtors themselves, have declined less than the number of bankruptcies. They probably represent less than one quarter of one per cent of the total of trade credit outstanding, if one accepts as some indication of gross trade credit the total of £4.2 billion trade debts listed as outstanding in 1963 in the Board of Trade's summary of quoted companies' balance sheets.

As in most years, builders, road hauliers, and "company promoters" are among those most involved in bankruptcy. The obvious explanation is the ease with which an individual can set up in these occupations.

OYSTERS

Slithering Down?

ANYONE replying seriously to Colchester City Council's advertisement this month for the lease of its oyster beds is probably optimistic about research going on in Wales. There the White Fish Authority is looking into the commercial possibilities of a method of breeding oysters under controlled conditions, important for the oysters' future. For if it can be done economically, oyster farming should become predictable and prices might come down. Losses during natural breeding in British waters may amount to as much as 99 per cent; a new-born oyster swims around for a week or two before settling and even if it does not meet walruses or carpenters, it may die of malnutrition or be swept away. So planters rely on keeping their beds stocked with two- or three-year-old oysters imported from Brittany. At present these "brood oysters" are in short supply and, therefore, expensive.

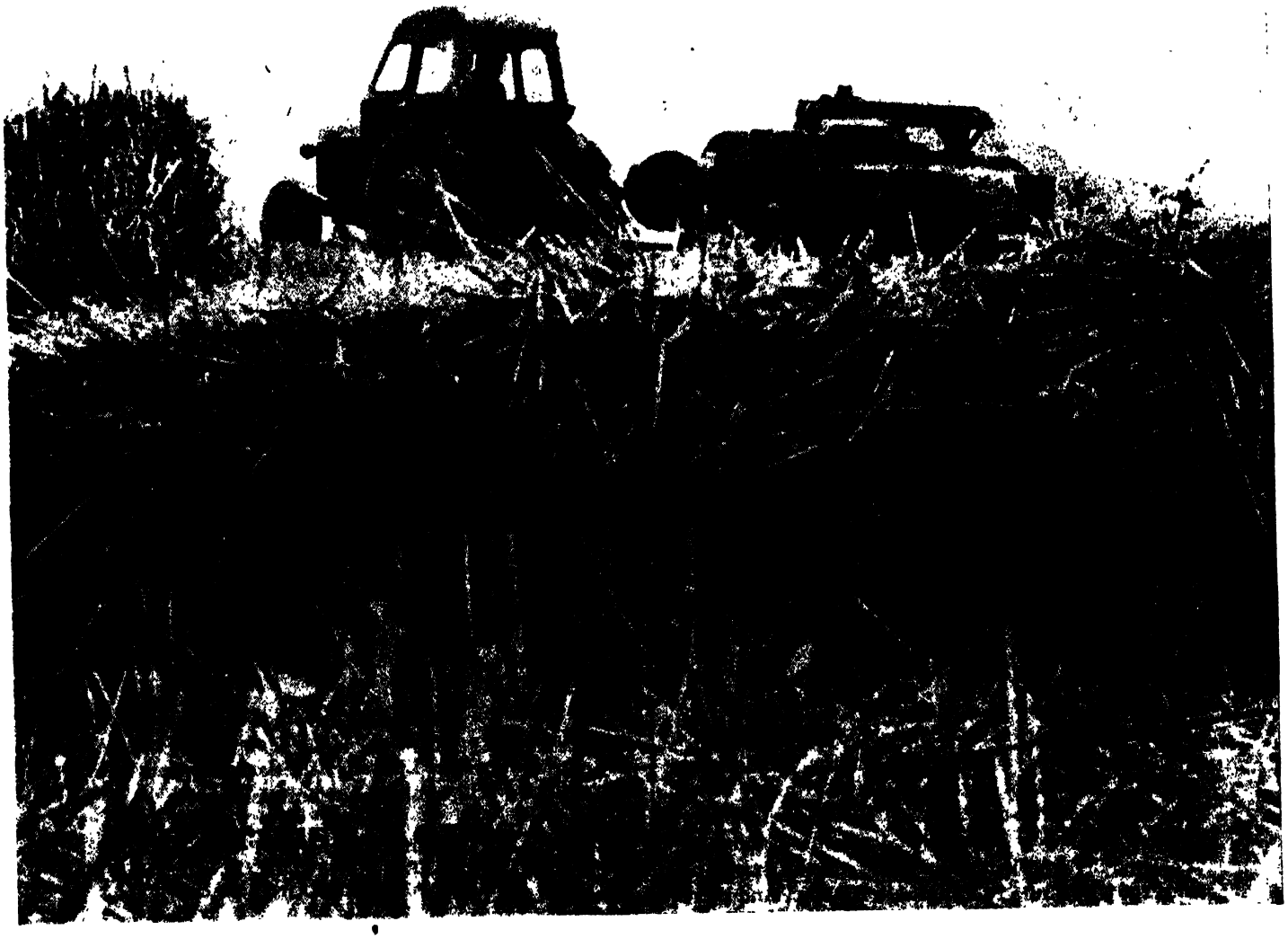
In theory, once the oyster is settled on the sea bed its chances of survival rise considerably. But even fattening up oysters has been a hazardous business since the war; cold winters, disease, pests and pollution have depleted stocks. Many oyster farmers are still trying to make up the dreadful toll taken by the freezing winter of 1962-63. This proved the last straw for the original lessee of the Colchester beds; the company was forced to throw its hand in twelve months ago—five years before the 99-year lease expired. Since then the beds have not been worked. Planters in Devon and Cornwall suffered less from the freeze-up than those on the East coast. But the whole industry took a severe beating. Landings dropped from 250 tons in 1962 (in 1959 they were 360 tons) to 184 tons in 1963; sales fell from £89,000 to £56,000. Last year landings crept up by 14 tons and, with higher prices, sales reached £75,000. But if the price of French brood oysters continues to rise, the planters will be in trouble. For the

harvest secured

with baler twine from British Ropes. Thousands of farmers throughout the country will be relying on Red Star, the leading brand of sisal twine for a number of years. Many others will be using new Formula 'S' plastic baler twine for the first time this season. Made of polypropylene, this sophisticated twine is extra smooth-running. But both twines will save time when time is vital.

British Ropes Fibre Division make several other products for farmers—calving ropes, tow ropes and thatching twine to name a few. They also make products of wider benefit – from ordinary string to woven vinyl floorcovering. They make package strapping of polypropylene, climbing ropes, ropes for yachts and ships, rope and cordage of natural and man-made fibre for practically every purpose. And all products are quality-tested by British Ropes to make things more pleasant, more efficient or more secure for so many people.

British Ropes Limited Sunderland



his Fourth Plan ambitions. This new-found diffidence was immediately attributed to advice reportedly offered by the World Bank. A Bank mission which was studying India's current economic performance for several months had brought its work here to a close two days earlier with a long meeting with Shastri.

The Bank has clearly no wish to get involved in India's internal debate on the size and pattern of the plan. The mission has naturally been playing it close to the chest, but as far as one can judge it has offered no verdict—at least, not yet—on the next plan starting in March 1966. According to the present timetable, the Indian finance minister, Mr Krishnamachari, will take a draft of the next plan with him when he goes to Washington in September. The draft should show what concrete steps India is prepared to adopt.

There are basically two issues to sort out. First and foremost, does India's government really feel able to take the hard political decisions required to mobilise adequate domestic resources for a big plan? While the central government can be relied upon to do its share, will the states run the political risk involved in clamping on more taxes twenty months ahead of the next general election? A large part of the additional resources must now come from the lightly-taxed farmers, who also happen to give the Congress party its main voting strength. Mr Kamaraj's misgivings were self-explanatory, but Mr Shastri too seems to have come round to the view that a bigger tax impost must wait until he can demonstrate to the people more tangible gains from development than they have so far received.

Both the World Bank and the IMF feel that India should liberalise imports but make prices reflect the true scarcity value of foreign exchange to the economy. Devaluation of the rupee was perhaps discussed as a possible line of action during urgent consultations with the IMF earlier this month. The comings and goings gave rise to a spate of rumours, obliging Mr Krishnamachari to make an unscheduled broadcast last Saturday to announce that the government, after "most careful thought," had decided that devaluation was no answer to India's problem. But this had no effect upon unofficial exchange rates, with the pound still quoted at almost twice the official parity in the Bombay market. Mr Krishnamachari also made a gesture to Fund and Bank feelings by giving notice that higher import duties were on the way. And he added for good measure that the size and pattern of the next plan will depend on how the exchange situation shapes over the next few months.

FRANCE AND GERMANY

Steel Allies in the Saar

Frankfurt

THE Saar is once again showing its vocation as a show-place of Franco-German co-operation. Work has just begun at Dillingen on a new steelworks with an annual capacity of one million tons which is to be used jointly by French and German steel firms. Participants in the project are Röchling, which is wholly German owned through the Röchling family, and Dillinger Huttenwerke, a company 60 per cent owned by French steel groups led by Pont-à Mousson. The plant is intended to exploit the possibilities of rationalisation given by co-operating across national frontiers.

Rationalisation is certainly needed in the German steel industry. The Rhineland-Westphalia institute for economic research has just published a study showing that demand is now weakening on the German steel market: steel users are deferring orders and drawing on stocks because they expect prices to fall. In the long run, on the other hand, demand is likely to grow—which is presumably why Röchling and Dillingen are increasing capacity as well as rationalising production. The Flick group is also bent on rationalising at the moment, but without increasing capacity (and maybe with more of an eye to tax savings than to streamlining its steel operation). Herr Flick, who has shown the golden touch many times since the war, is in the process of fusing Buderus and Metallhüttenwerke Lubeck into a single productive unit under a new holding company.

COCOA

Ghana's Nightmare

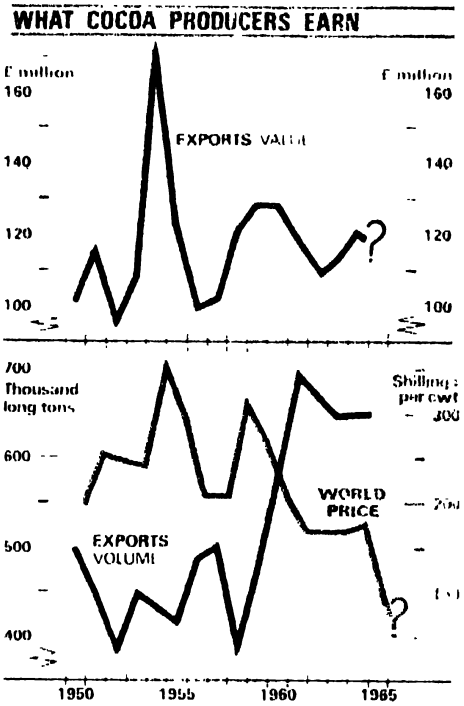
FOR countries like Ghana, where cocoa is the basis of the national economy, the present slump in prices is a disaster. Producer prices per ton have fallen from nearly £150 in 1956 to £112 in 1960-62, and only £93 this year.

This decline is a result of soaring production rather than sagging consumption. World demand has risen since 1956 from 830,000 long tons to 1,300,000. But production, which was lagging behind grindings in 1956, is expected to reach 1,500,000 tons this year. Ghana, which produced around 250,000 tons in the mid-1950s, has harvested over 400,000 tons every year since 1960. The forecast for this season is 590,000 tons.

The financial basis of Ghana's seven-year plan was calculated on an assumed average price of £190 a ton for its cocoa. This seemed reasonable enough in 1963, after a decade in which the annual average London spot price had only twice fallen below that level, with a peak of £467 10s. The plan assumed that world consumption of cocoa would rise to 1,500,000 tons by 1969 and to maintain its lead as a supplier, Ghana set out to grow 600,000 tons by then.

Several factors have contributed to the premature achievement of this target. The lower prices to farmers are in themselves a spur to produce more in an effort to preserve total income. In addition, more quickly-maturing, heavy-yielding and disease-resistant strains of cocoa tree have been introduced.

At present crop prices fertilisers are unlikely to be economic outside experimental stations, and even disease control is likely to suffer, though the chocolate makers have recently put up £24,500 a year for three years to be devoted to research on capsid control. Attempts by producer countries to co-operate in controlling the market have broken down under the weight of surpluses, and even if present efforts to find a new basis for a cocoa agreement succeed they are likely to do little to relieve Ghana's problem in the short run.



Figures show total exports and earnings of Ghana, Nigeria and Brazil, which accounted for 64.7% of world trade in cocoa in 1964

FINLAND

That Reminds Me (or the Efta Disease)

ALTHOUGH pressure on prices and costs in Finland has been less this year than in 1964, when consumer prices went up by nearly 10 per cent and wages in industry by 15 per cent, the economy remains out of balance. This is reflected in a continued large deficit in the country's balance of visible trade. In 1964 this deficit grew to 700 million marks (about £78 million) from less than 200 million marks in 1963, leaving Finland with a deficit on current account for the fifth year in succession and that to the tune of 550 million marks (£61 million). Normally, this would have entailed a heavy drain on the currency reserves and a serious strain on the money market. Due, however, to large-scale borrowing abroad these effects were largely avoided. Finland's long-term foreign debt in 1964 increased by some 500 million marks, or one-third, compared with an average increase of indebtedness of 13 per cent in each of the preceding five years.

1/3,000th part of a giant

This man is a Polysar scientist. In his field he's something of a titan. Looks ordinary enough to us. During the week he ponders such miracles as *trans*—$\sim CH_2C(CH_3)CHCH_2\sim$. Other times he's much like the rest of us. Is an ardent football fan and can't resist showing photos of the kids. Very comforting to we lesser mortals. He's one of 3,000 staff who remind us that the word 'people' is a first class synonym for Polysar.

POLYSAR INTERNATIONAL, SA., FRIBOURG, SWITZERLAND.

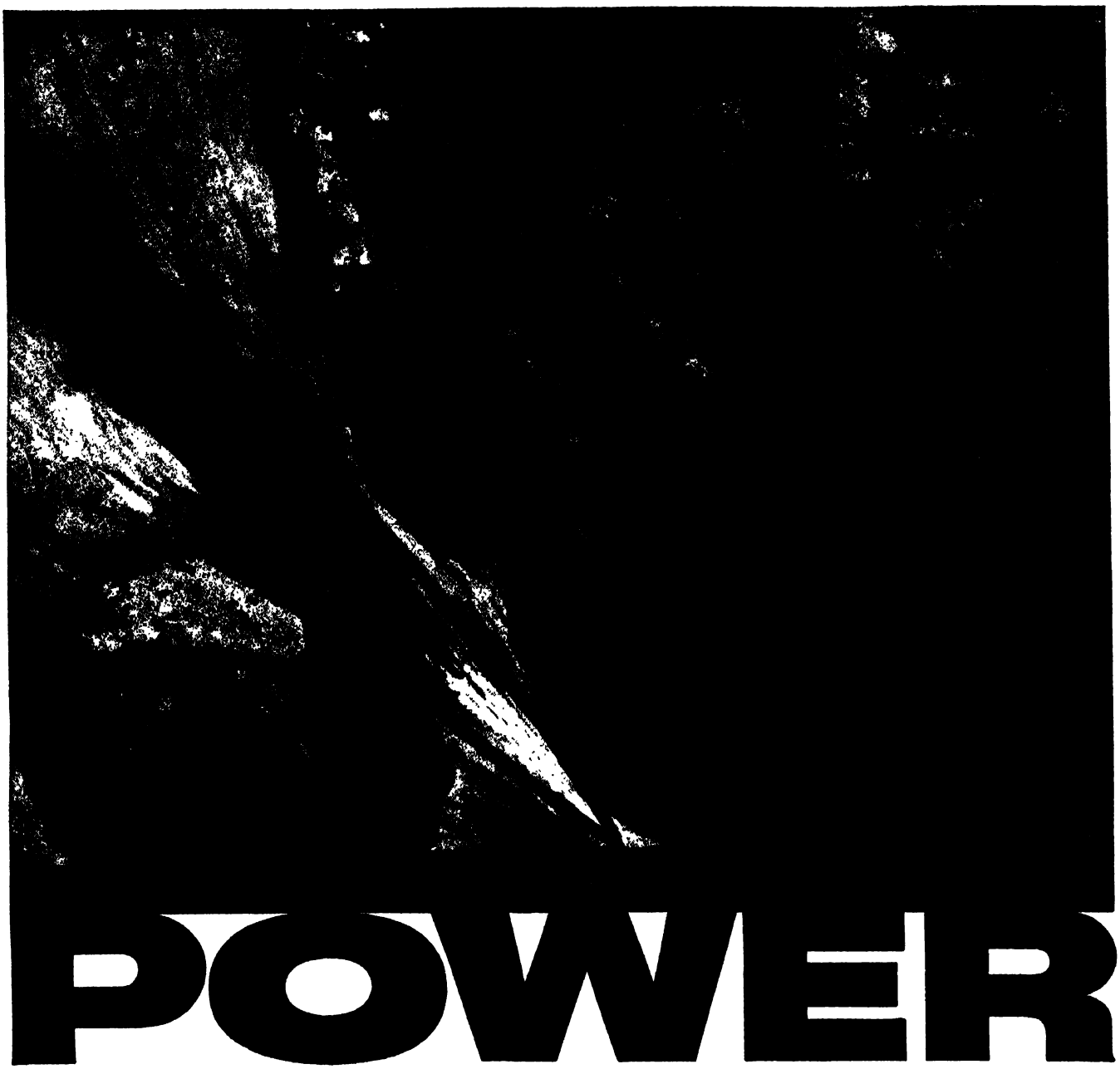
Manufacturing facilities: Sarnia, Canada; Strasbourg, France; Antwerp, Belgium. Technical service offices in: Sarnia, Canada; London, England; Vienna, Austria; Tokyo, Japan; Akron, U.S.A.

POLYSAR, KRYNOL, KRYMIX, KRYNAC, KRYFLEX, KRYLENE, TAKTENE, SS 250, TRANS-PIP are registered trade marks of Polymer Corporation Limited, Sarnia, Canada.

POLYSAR®

SYNTHETIC RUBBERS RESINS CHEMICALS

HITACHI PARA
JAIPUR PUBLIC LIBRARY



Imagine a world without machinery—not even a simple lever. Once, man did exist without mechanical power. But since the invention of the first basic tools, power developed by mechanical means has been the key to the progress of entire civilizations.

McCormick's Reaper started an agricultural revolution, and his company was to become the forerunner of the present International Harvester organization. Year after year in research, engineering, and new manufacturing techniques, IH continues its contribution to progress by making new and better equipment. Today, IH specialists are planning even more advanced power tools for farming, construction, and transportation of the future.

Wherever IH equipment is manufactured, it is built to the highest standard of excellence in adherence to the principle that here are not mere tools, but power itself—*applied* power to meet man's basic needs. International Harvester Export Company, Chicago, Illinois, U.S.A.

International Harvester puts power in your hands

Exports rose by a healthy 12 per cent but imports showed an increase of 25 per cent, which explains the disappointing outcome. There is a tendency in Finland during boom conditions for imports to grow twice or even three times as fast as total production. Since the boom may well be further intensified this year, the trade deficit will in all probability be as big as in 1964. A recent report by the Economic Council foresees no great improvement in the next few years.

This has raised the question whether Finland will not have to devalue the mark once again. It has held its present parity of 3.2 marks to the dollar since 1957. Borrowing abroad cannot continue on the present scale. Yearly payment of interest already uses up some 7 per cent of current account receipts. And it will probably become increasingly difficult to borrow on foreign capital markets if the deficit remains.

The deficit is not caused by lack of foreign demand. Export prospects are still considered good and exports should grow in 1965 nearly as fast as last year. This suggests that the only alternative to devaluation, without creating widespread unemployment, would be to reduce imports by satisfying a greater part of the internal demand domestically. But exports would need to be maintained at the same time.

ARGENTINE BEEF

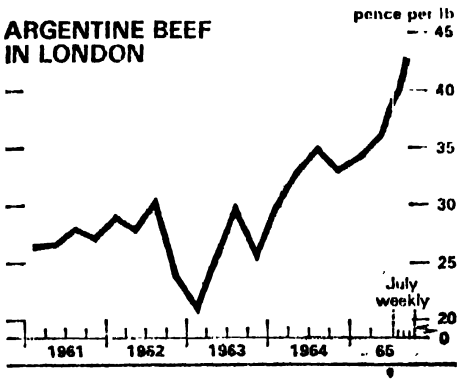
Eating the Economy

Buenos Aires

On radio and television and in the daily press, Argentinians were bombarded last week with pleas to eat less beef. "We are eating four times more beef than we export," the announcements repeated, "and we need to export in order to import raw materials and machinery for industry. Eat just a little less beef."

There was good reason for such a plea. Beef consumption in June reached an annual level of almost 600,000 tons, or about 200 lb a head. This was more than 20 per cent above consumption in the previous twelve months. At the same time the large packing plants, or *frigoríficos*, had to lay off workers and stop buying at the important Liniers market, while exporters told the National Meat Board that they were unable to fulfil export commitments.

It is easy enough to explain what has happened. The government succeeded in increasing real wages by a combination of wage increases and price controls and consumers were happy to return to the old Argentine custom of eating steak at every meal, finding that beef was practically the cheapest food available. Later increases in the price of beef did not deter this demand, but they were enough to put the *frigoríficos* out of the running: a record Smithfield price equivalent to £238 a ton f.o.b. Buenos Aires is equivalent to a price of 60 pesos a kilo liveweight at the Liniers market, and local butchers have been paying 65 pesos.



Meat packers have been forecasting the present crisis since last year, and pleading for an exchange rate which would permit them to compete with local consumption. Since last year they have been able to fulfil export commitments only by operating at a loss. The combined losses of the four large beef-exporting *frigoríficos* (the foreign owned Armour, Swift and Anglo and the Argentine owned Corporación Argentina de Productores) amounted last year to nearly 4,000 million pesos, which at 1964 exchange rates is equivalent to £10 million.

The authorities are now in a dilemma. If they grant the *frigoríficos* an exchange rate better than the 154 pesos to the dollar that these now receive net of exchange retentions, in order to allow them to compete with local consumption, this will raise the price of beef still higher. Since beef accounts for 10 per cent of the cost of living index, this would make nonsense of the attempt to keep the increase in the cost of living down to 20 per cent this year. (It rose by 11 per cent in the first six months.) That in its turn would endanger the wages policy which seeks to keep wage increases down to 23 per cent for the year (which should be one consolation for Mr George Brown). The other horn of the dilemma is the need to increase exports and earn the surplus needed to make the heavy payments on the foreign debt that are outstanding even after the recent postponement granted by creditor countries. Most local commentators tend to doubt the Government's ability to solve the problem through a voluntary reduction in beef consumption. Few can see the consumers, in their present mood of disenchantment with the Illia administration, doing the Government such a favour.

UNTAD

Rome Beckons

Geneva

The Italian government is lobbying hard for the secretariat of the United Nations Conference on Trade and Development (Untad) to be transferred to Rome, although the UN Trade and Development Board unanimously recommended in April that the secretariat should be installed permanently at Geneva, where the UN has its European office. The Italian case is strengthened by a local campaign in Geneva against the international institutions that now cluster so densely in the city. The Swiss authorities would like to ease the local pressure by shifting some of them, including Untad, to Lausanne, which is only forty minutes from Geneva by train or by car along the new motorway. Untad has firmly rejected the proposal. The Geneva authorities have made it clear that they are unwilling to let any more organisations settle in the city; but Untad is legally entitled to come to Geneva, because the Swiss government has agreed to give the UN itself every facility to extend its activities there.

The Italian government is now tempting the delegates with offers of generous facilities. At Italy's behest, the Untad board may reopen the question at its second meeting, which will open in Geneva in August. But there seems no foundation for the widespread belief in Geneva that Untad's head, Raul Prebisch, would himself prefer to set up his office in Rome, where he would be well away from Gatt and other Geneva-based organisations. He had already discussed the problem of his new organisation's relations with Gatt with its executive secretary, Mr Eric Wyndham White. It is going to be a delicate business working them out. But whether they prove to be dominated by hostility or by rational co-operation, it would be better in either case for the two bodies to work in the same city—and much better for small states, which already have difficulty in manning adequate delegations.

Meanwhile, Untad's committee on commodities began its first meeting this week—in Geneva. Mr Prebisch has set up his office there for the time being, with a small

KEY INDICATORS

WORLD COMMODITY PRICES

The United States Defence Secretary's pronouncements on Vietnam were the main influence behind increases in tin and copper prices this week. Keen buying interest at the end of wool sales in producing countries suggest that stocks are light for the time of year and markets have strengthened accordingly.

The all-items indicator rose 0.2 this week (to July 21st).

	Index 1958=100		Percentage change on *	
	July 14	July 21	One month ago	Twelve months ago
ALL ITEMS	101·6	101·8	−1·6	−4·3
Food	96·9	96·9	−1·6	−10·6
Fibres	99·7	99·6	+1·3	−4·2
Metals	189·4	193·6	−5·4	+20·6

The Economist Commodity Price Indicator includes nineteen commodities weighted according to their relative shares of world trade in 1958.

** Changes relate to this week's figures, but these, except for the metal group, are provisional because quotations for tea and wool are not yet available beyond last week.*

staff. He is clearly quite satisfied that the difficulty of recruiting really qualified staff is keeping his secretariat small during these early stages. By the end of 1965 he expects to have a total staff of about 45, by the end of 1966 about 220 (including secretaries who will be refreshingly few by UN standards). This would mean only a small addition to the vast international bureaucracy that already inhabits Geneva. If the question is handled with reasonable discretion at least until after the Swiss elections in November, there seems a fair chance that Untad will be able to stay on beside the lake.

SWISS INDUSTRY

Deserted at the Altar

Basle

MERGER negotiations between the two major Swiss engineering firms of Brown Boveri and Oerlikon have broken down after three months, to the disappointment of Dr Walter Boveri, who publicly told his stockholders only a few weeks ago that he hoped the merger would be concluded by August.

Although smaller than Boveri (Switzerland's second largest enterprise after Nestlé) Oerlikon clearly felt itself strong enough to stand alone, or at least, supported by no more than its wide co-operation with Escher Wyss, the Zurich manufacturer of steam turbines, turbo-generators and turbo-compressors. This programme of co-operation between the two firms in the development and making of various turbines, and their joint ownership of a smelter, is believed to have led also to close financial links. It has also helped increase turnover of each of the two, so that in combination it is now the third largest turnover of any engineering group in the country.

Moreover, Oerlikon felt its worth to be undervalued (at the equivalent of £6 million) on the bourse: its land alone is said to be worth more than that, let alone its plant and machinery, which are insured at about £11 million.

Clearly these considerations outweighed in Oerlikon's view the broader attractions of concentration to surmount a scarcity of credit and skilled labour that makes it difficult for individual Swiss firms to expand to their full capacity and thus meet increasing international competition more effectively.

SHORTER NOTES

In a feature "Can Nuclear Costs beat Oil" in *The Economist* last week a misplaced decimal point gave an implied fuel oil price, for an oil-fired power station generating at total costs comparable with the estimates for the Nuclear plant at Dungeness "B" as 3.41 cents US per million BTU. This should have been 34.1 cents US per million BTU. The equivalent price in dollars per metric ton of fuel oil was given accurately as $13.61.

Mr Krushchev's disappearance from the Soviet leadership did not mean the end of the new liberalism he was trying to introduce into Soviet society. His successors have shown themselves even more aware of the absurd rigidities and waste of the Soviet economic machine, and of the need to bring production more into harmony with the country's needs—if necessary by introducing methods that used to be considered capitalistic and simple. In *The Rise of the Russian Consumer* (Institute of Economic Affairs, 7s. 6d.) Miss Margaret Miller gives an able and interesting account of the changes that are slowly maturing, heavy with consequence for the future relations of Russia and the west.

BUSINESS ☐ INVESTMENT

THE CITY

A Flicker in Gilt-edged

WITH the Finance Act through the House of Commons the gilt-edged market has woken up from its sleep and dealings have grown considerably. Outsiders who may have wondered whether the "uncertainties" previously much spoken of were not just intellectual idleness and institutional timidity are somewhat abashed when they see the wide variety of yields to be calculated on present form and future possibilities. These increased as the Bill went through Parliament. For some time it was hoped that "averaging" in stocks where the market price was below the minimum issue price would enable capital gains tax to be avoided, but one of the Chancellor's last amendments stopped that putative loophole. But now that a form book can be built up investors are going longer: War Loan was up ⅛ points on the week to 51⅛. The shorter end of the market has been overhung by fears that withdrawals of foreign capital this autumn could lead to sales by merchant banks.

Equities have been so quiet that changes are attributed, in the absence of any real pointers, to Wall Street's unpredictable moods. The acceptance that the equity market is due for a further spell of low dealings is highlighted by the interest shown in the committee set up, apparently under a broker, to study possible changes in the jobbing system, especially to help the small jobber. Fears that the ever-increasing dominance of the market by a few large jobbers would have especially evil results seem exaggerated. The jobbing system is a mechanism, used only because it is useful. Jobbers have a theoretical monopoly of deals but merchant banks in particular are constantly arranging for the placing of large blocks of shares outside the market, giving

KEY INDICATORS

MOVEMENTS ON THE WORLD BOURSES

LONDON

More interest in long-dated gilt-edged: little in equities.

NEW YORK

Recovering after a bad attack of Vietnam jitters.

EUROPE

Marginal movements, tending downwards.

	INDICES		Percentage change from:		
	July 14 †	July 21 †	A week ago	A month ago	A year ago
London	366·6	366·3	−0·1	−1·6	−11·3
New York	883·2	865·0	−2·1	−1·0	+2·1
France	87·0	85·5	−1·7	−6·4	−9·0
Germany	93·5	93·3	−0·2	−0·3	−10·3
Holland	331·5	335·5	+1·2	+3·2	−0·5
Canada	154·5	152·2	−1·5	−6·1	−2·9
Australia	315·7	314·6	−0·3	+1·0	−16·5
Japan	1,033·1	1,045·7	+1·2	−2·8	−20·5

* For Bases and Stock Prices and Yields see pages 401 and 402.
† London, July 15th and 22nd.

as an excuse the inability to deal within the market in large quantities of stock without completely disrupting prices. It is surely more important to improve the mechanism and reduce the costs of the market rather than devise elaborate schemes for the survival of the small men.

British Printing Quiescent

In the absence of Mr Wilfred Harvey's reply to the dissident directors of the British Printing Corporation, all sides, investors, customers, bankers and journalists are pontificating. Customers and bankers naturally do not want to be seen opposing a chairman with whom they are in constant contact, so journalists assume that they are committed in some degree, where in fact they may just be trying to be neutral. Institutional investors are worried as much about management as about salary scales, and so are assumed to be against. But many of the parties are possibly more open-minded, or unwilling to get involved, than that. Journalists, on the other hand, have no such inhibitions. They seem, both privately and publicly to be decidedly cynical about how convincing Mr Harvey's defence will be, and for how long ahead he will call the extraordinary general meeting.

ISRAELI MARKET

Capital Gains Untaxed

Tel Aviv

Within a few days of the announcement by the Israeli Treasury that the capital gains tax on shares would be abolished the stock market had more than recovered the losses of the previous few months. The tax had been announced last year, and was imposed in January of this year, after prices had been forced down by anticipatory gloom and apathy. The share index, which in the year to January, 1964, had risen nearly forty points to 175 (December, 1961 = 100), lost nearly all its gains in the succeeding fifteen months. More important, turnover declined so that this year it had reached a low of £I 200,000-£I 300,000 a day. When news of the repeal of the tax was confirmed turnover jumped to £I 1.2 million, the index rose eleven points in as many days; and for the last few days it has been ranging from £I 1-1.6 million. The small private investors who had abandoned the market during the slump, are now returning in large numbers attracted by the prospect of tax-free capital gains. In addition yields on good Israeli equities are still high, often more than 7% net of tax, or 9% gross. The small investor has also been encouraged by the introduction by the Government of a tax limit of 25% on the first £I 500 of dividend income.

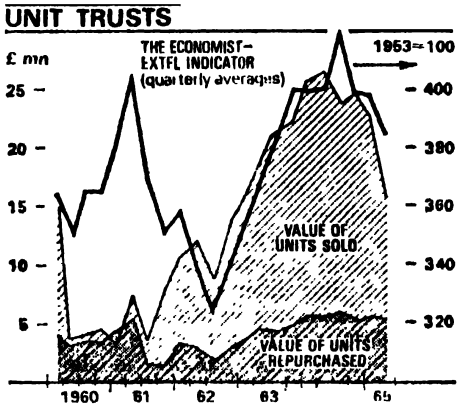
The biggest beneficiaries from the jump in prices were banks, property companies and trusts run by banks, all of which rose up to 20% in the few days after the repeal. One Trust, Anglo-Israel Investors, jumped by over 30% in a few days. Industrial shares went up less, and shares in citrus companies, which had not suffered badly, consequently gained less.

The tax itself had been 25% on gains of less than one year, reducing by a twentieth each year, so that property held for sixteen years or more became free of tax liability. So market speculators were very hard hit, and in a market as narrow and new as the Israeli, anything which limits turnover was bound to have a disproportionate effect on dealings and share prices.

UNIT TRUSTS

Ahead of the Market?

Net investment in unit trusts in June at £3.2 million was down by a half on June last year. Investors understandably became less enthusiastic about buying units as the stock market weakened, but they did not rush to sell. Repurchases by managers rose by only £200,000 to £1.9 million. Although the odd-lotter in America (the equivalent of our small investor) is always supposed to buy when he should sell and vice versa, the unit trust investor here is, apparently, not always wrong. After the first quarter rush in 1960 at the end of a bull market, when the unit trust movement was taking on a new life, sales of units to the public ran at a low level and even the trustee boomlet in 1961 did not attract many people to buy units, and later events justified their reticence. But as the market fell to its nadir in the summer of 1962 sales of units rose, and continued to rise with the market until mid-1964, when they levelled out, three months before the pre-election peak.



While the unit trust investor apparently anticipates the market in buying, his selling shows only a very small cyclical movement; but even then his reactions look right. Repurchases of units by managers dropped very sharply after the 1961 peak, and the ensuing market decline did not bring a rush of unit sellers. Just as significant was the comparatively low level of repurchases when the market got up to its 1964 peak; few people sold in relief on seeing their 1961 prices again. Any one investor, of course, would have done best to have sold at the 1961 peak, bought at the 1962 low and sold again last October; but if all investors try to follow the same policy they will move prices against themselves. Unit trust holders as a group appear to follow a correct policy. And it could be that their buying on rises, and that of other small investors, perpetuates the rises; the cut-back in buying brings about a fall; and the refusal to sell in panic ensures that the downswing is not large. The small investor, then, so far from moving against the market, may in fact himself determine much of its movement. The big institutions are steadily increasing their share of the total capital quoted, but share prices are determined by the balance of supply and demand, not the volume, and the small investor could soon once again increase his buying and ultimately lift prices, while the big institutions are busy in the fixed interest market.

CRANLEIGH GROUP

Now a Boardroom Quarrel

Shareholders seeking a Board of Trade inquiry into the affairs of the Cranleigh Group can only be confirmed in their distrust of the board by the attempt of five of the directors to remove the sixth, Mr J. H. Fischel. A circular signed by the five, headed by the chairman, Mr David Blank, says:

> "For some time past Mr Fischel's conduct as a director has been such that we, the undersigned, who are all the other directors of Cranleigh Group Limited, can work with him no longer."

These directors say that the major difficulties with Mr Fischel began towards the end of 1963 over some financial difficulties he had with a German company. The circular continues:

> This situation inevitably created difficult problems for the Board whose duty it was to ensure that the Cranleigh Group funds did not also become involved.

But there was no mention of these problems in the directors' report or the chairman's statement with last year's accounts, issued in January this year; and shareholders may well wonder why the five directors have left it so long before calling an extraordinary general meeting to remove Mr Fischel from the board, particularly as the company has recently sued him and a company associated with him.

The Fischel affair has no connection with the attempt led by Mr Prochnik, a former director of a subsidiary, to get a Board of Trade inquiry, although Mr Fischel did in fact dissociate himself from the board's reply to Mr Prochnik. The shareholders who have signed the requisition form, nearly a thousand of them, five times the legal minimum, are free to support the majority of the board in the Fischel affair —though it will be surprising if they do. Mr Fischel will in any case reply fully to the allegations made against him in a circular next week. But as the five directors and their associates hold a large, perhaps a controlling part, of the equity, they will

probably succeed in removing him. Despite the fears expressed by the five earlier that the Prochnik affair would depress the share price, there have been enough buyers around to lift the price to 5s. 9d., a rise of 9d., or 15%, over the past fortnight.

CONSETT IRON

Nationalisation Candidate

WHILE all one's prejudices rise in revolt against the possibility that a steel company in the north-east of England could make profits, the latest results from Consett Iron could almost be used to show that there was such a possibility. For the chairman quite confidently states that, failing nationalisation or another recession, the company is in a shape to make profits again. After three years of making losses the company last year (ending 3rd April) made a profit before tax of £2 million, against a loss of £184,000 the previous year. As a result it was able to pay a dividend of 10%—which gives a yield at the present price of 16s. (3s. below the proposed nationalisation compensation price) of 12.5%. But the company is still a long way from providing a normal commercial return: pre-tax return on capital employed (less loan capital) is only 8%—and this in a very good year for the steel industry.

Failing a drastic fall in sales, next year should be better. For the long pull, tardily started, towards reducing steel costs is paying off. In particular, the oxygen steel-making plant is paying handsome dividends. Consett's policy of getting the most out of existing plant—the productive capacity of the Jarrow mill is to be increased by a fifth at little capital cost, and iron and steel-making are to be increased where possible—should yield results in the short term. The product mix too is being changed. One-third of the company's output is plate (only a quarter of which, though, goes to the shipbuilding industry), a product where over-capacity seems endemic; but it is widening the range of its other heavy products, getting out of supplying billets to re-rollers and starting production of special steels.

Are any of these moves a prescription for health in the long term? Consett is fortunate in being able to take imported raw materials in 35,000-ton freighters but the step up to larger ships still, which is coming, will put it, and most other British plants, at a disadvantage. More important, it cannot take advantage of the economies of large scale production: its present plans take steel production to 1¼ million tons a year. Would any realistic plan for the future steel industry of Britain (still less the "greater measure of public control" that the chairman reasonably admits to be necessary) give permission for the next step, now being mulled over, to 2 million tons? The sad truth is that, whatever the competence of the management in pulling Consett out of its recent difficulties—and it has been a considerable achievement—the company is a sitting duck for nationalisation. For, in a world increasingly of immense scale modern plants or small specialists, there will be no room for anything in between, like making the most of old plant by constant detailed improvements, too familiar an idea in the British steel industry today.

CAVENHAM FOODS

Slimming on Sweets

CAVENHAM FOODS is making an offer for the minority interest in its subsidiary, Carsons, and for the majority equity interest (which controls only 49.7% of the votes) in J. A. and P. Holland. Payment is to be made entirely in Cavenham ordinary shares and, for Holland, 7¼% loan stock. Cavenham's policy is quite clear: it wants complete ownership as well as control of the two companies so that it can cut them up to fit into an integrated confectionery group. The resultant group need not do substantially better than its separate parts, however, since Cavenham is basically trying to make a silk purse out of a number of sows' ears.

Carsons makes chocolates under the Carson name; it also owns Yeatman, makers of "Sunny Spread" and Procea, which makes the flour and other ingredients for the slimming bread of that name. Carsons' chocolate side doubled its pre-tax loss to £146,000 last year, and Yeatman's previous profit turned into a loss. The Procea group, however, increased its profit by £20,000 to £76,000, but even this rise only just enabled it to beat its 1962 figure. Last year Holland turned 1963's loss of £203,000 into a profit of the same amount; the confectionery division—mainly toffees—made an increased loss of £108,000, but rising profits from the wholesaling division and a big turnround by the paper and plastics division more than offset this. In all Holland and Carsons made a pre-tax profit of only £88,000; yet their asset value is £3.8 million.

There seems to be plenty of scope for rationalisation and the reduction of assets employed. But slimming alone will not be enough. Cavenham itself (formerly Carr's of Carlisle), with net assets of £1.9 million, made only £46,000 in the ten months to January 16th from biscuit making, and obviously has a long way to go before it is really profitable. Although the sweet and confectionery market is contracting, however, some companies can still make very satisfactory profits: Schweppes concentrated on catering jams, since producers in this field were comparatively inefficient, and on its "New Jam"; Avana Group sells its cakes and jams through Marks & Spencer. A swing is occurring towards "own brand" goods and Cavenham could find a ready outlet for its products through supermarkets and chain stores. The board connection with the French Perrier group and hotel and specialised food companies could also prove very useful. The chairman, Mr Jimmy Goldsmith, who is also chairman of Carsons and Holland, is very confident that he can weld the companies into a sound food group and is ready to sell any interests that do not fit into this. There seems to be little chance for the three companies living both profitably and independently. But even the enlarged Cavenham will be small beside Schweppes or Beecham or the Quaker chocolate makers, and its main hope of survival must be further takeovers of small companies as the sweet and confectionery industry consolidates itself into bigger units under the pressure of falling margins.

The equity shares to be issued and quoted in London in the proposed takeover are ordinary shares, although Cavenham Foods will remain a "close" company under the control of Cavenham Investments, a private company itself controlled by Mr Goldsmith and Baron de Gunzburg (of Perrier), through the deferred shares, which have limited dividend rights up to 1967. The outside shareholders in Carsons and Holland must now decide whether the advantages of consolidation and reorganisation within the Cavenham Foods group will offset the disadvantages of being minority shareholders in a close company, holding a narrowly traded share. It would have been fairer if Cavenham had offered cash.

CONCRETE

Elements of Strength

WINNING the confidence of one local authority housing committee is half the battle of making a success of an industrialised building system. Concrete Ltd. did that long ago: it completed its first block of flats in the Bison Wall Frame system in November, 1963, and now has more than a hundred contracts from all over the country. And last year's rise of nearly 50% in the value of contracts completed (£11½ million worth in all) was largely due to demand for Bison flats. These are not beautiful—how many tower blocks are?—but they are competitive on price and they go up quickly. Also Concrete works on a contract with a local builder. Concrete supplies and erects the concrete components and the local company does the rest: which must be good for public relations. Mr Ken Wood, the chairman, reports that inquiries have slowed down a bit with the credit squeeze. But a system like Bison that does not need vast orders for hundreds of dwellings at a time and has been used long enough to acquire the cost cutting techniques which come with experience, must surely suffer less than most. And local authorities—who are not suffering from the squeeze—will surely welcome Concrete's forthcoming system for blocks of flats of less than four storeys or so, an area where industrialised building of any sort has yet to make its mark.

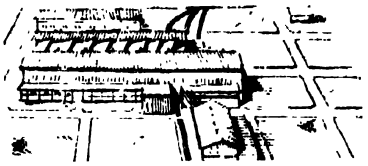
Trading profit, at £800,000, rose less than turnover and the percentage of pre-tax

What are Mowlems building now?

A BETTER TRADE BALANCE

Competing for overseas work isn't the easiest way to make money; but it keeps costing keen and makes certain of efficiency. Mowlems have a long history of building and civil engineering in Africa, the Far East, South America and the West Indies.

Now they're in Europe.



The complex of buildings at Rade Koncar's Zagreb transformer factory which Mowlem are providing.

FOR YUGOSLAVIA— A TRANSFORMER PLANT

For Rade Koncar at Zagreb in Yugoslavia they have been responsible, in conjunction with Associated British Machine Tool Makers Ltd, for the design, supply and installation of a complete transformer manufacturing plant.

DAMS IN CYPRUS

Mowlems began to build their first dam in Cyprus in 1963 in a joint contract with Marples Ridgway & Partners Ltd. Now they are completing a second dam. Their work brings credit to Britain and raises standards in Cyprus.

The first dam completed by Mowlems in Cyprus is about 700 feet across (including the spillway) and 170 feet high.

IN GREECE — AN OFFSHORE TERMINAL

The Esso Pappas Industrial Co. Inc. appointed Mowlems (with collaborators George M. Chryssopoulos Inc.) to design and construct a terminal 2500 feet offshore to berth oil tankers for the Thessaloniki oil refinery. The work includes a breasting island and four mooring dolphins to take ships up to 16,500 tons and, half a mile further out, moorings for 65,000-ton tankers. Many British components are used; recently fender units and huge shackles were carried by road ferry, direct from Merton in only 7 days.

All over the world Mowlems are helping to build a better trade balance for Britain and a better life for everyone.

John MOWLEM & Co. Ltd

91 Ebury Bridge Road, London, S.W.1.
Telephone: SLOane 4500

In the United Kingdom at Edinburgh, Cambridge, Doncaster, Bath and Exmouth.

The Economist

Guide to Weights and Measures

This Guide was compiled by the Statistical Department of The Economist for use within our own office; it was decided to publish it as a book to serve a wider public. The Guide has now been out of print for some years but requests for copies still come in. It has therefore been decided to revise and extend the Guide and to publish a second and up-to-date edition.

In 96 pages it provides facts and figures on the weights and measures of the world. For the most widely used units, tables of equivalents are given; for units that are used only in certain countries and trades, conversion factors are given.

The Guide, price 17 6d. (U.S. $2.45) post free for cash with order, is obtainable from:

Publications Department,
The Economist,
25, St. James's St.,
London, S.W.1.

All of these Bonds have been sold. This announcement appears as a matter of record only.

July, 1965

$20,000,000

Government of New Zealand

5¾% Bonds due July 1, 1985

Dated July 1, 1965 Due July 1, 1985

Kidder, Peabody & Co. Incorporated
Baring Brothers & Co., Limited

Amsterdam-Rotterdam Bank N. V.
Banque Lambert
Deutsche Bank Aktiengesellschaft

Algemene Bank Nederland N.V.
Banca Commerciale Italiana
Banca Nazionale del Lavoro

Bank of London & South America Limited
Banque de Bruxelles S.A.
Banque de Paris et des Pays-Bas

Commerzbank Aktiengesellschaft
Crédit Lyonnais
Den Danske Landmandsbank Aktieselskab
Dresdner Bank Aktiengesellschaft

Hill, Samuel & Co. Limited
Hope & Co.
Kleinwort, Benson Limited
Lazard Brothers & Co. Limited
Morgan Grenfell & Co. Limited

Pierson, Heldring & Pierson
N. M. Rothschild & Sons
J. Henry Schroder Wagg & Co. Limited

Skandinaviska Banken
Société Belge de Banque, S.A.
Société Générale
Stockholms Enskilda Bank

Svenska Handelsbanken
L'Union des Mines La Hénin
Gunnar Bohn & Co., A/S

Crédit Commercial de France S.A.
Jean Degroof & Cie.
Hottinguer & Cie.

de Rothschild Frères
J. & A. Scrimgeour

Blyth & Co., Inc.
The Dominion Securities Corporation
Goldman, Sachs & Co.

Harriman Ripley & Co. Incorporated
Lazard Frères & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated

Smith, Barney & Co. Incorporated
White, Weld & Co.
Paribas Corporation

Bache & Co. Incorporated
Hallgarten & Co.
Ladenburg, Thalmann & Co.
Swiss American Corporation

Arnhold and S. Bleichroeder
Baker, Weeks & Co.
Burnham and Company
Burns Bros. & Denton, Inc.

Dominick & Dominick, Incorporated
Hayden, Stone Incorporated
H. Hentz & Co.
Hirsch & Co. Incorporated
Model, Roland & Co., Inc.

R. W. Pressprich & Co.
L. F. Rothschild & Co.
Tucker, Anthony & R. L. Day
Fahnestock & Co.

First Manhattan Co.
Halle & Stieglitz
Harris & Partners Inc.
W. C. Pitfield & Co., Inc.

profit on turnover fell from 8.4% to 7%. But this was the result of completing during the year a number of low profit contracts taken over with the Concrete Development Company. Profits after tax were up by 7% to £460,000; giving a massive cover of 7.6 for the maintained dividend payout of 10% - again supplemented by a scrip issue—of one for six this time. Concrete is one of the companies that benefits from the advent of corporation tax. Although it is ironic that one result of the benefit is to "open the possibility of some increase in dividend"—not at all what the Chancellor intended.

Concrete has interests in other activities besides system-built housing. It started off nearly fifty years ago making concrete floor beams, and it still churns out vast quantities of these. Then there are multi-storey car parks and massive beams for civil engineering contracts like the M4 elevated roadway. But excellent management reflected in sales and profits more than doubled over the last five years; and reasonable prospects (even with a credit squeeze) have not stopped the share price drifting down along with the rest of the building industry. At 33s. 9d. it has dropped 8s. since the budget, although it cheered up after the report. At this price the dividend yield is 2% compared with 3.6% for the construction industry; but the earnings yield is above average for the industry, even allowing for investment allowances.

In Brief . . .

Yorkshire Imperial Metals

The issue of a £5 million 7¼% debenture stock by Yorkshire Imperial Metals (half-owned by Imperial Chemical Industries) this week could well have made many companies wonder what the money market is coming to. This is expensive money, and reflects the firm belief of ICI (and presumably the bankers, Hill Samuel) that it is not going to become significantly cheaper for some time. Yorkshire Imperial is in the business of copper piping—tied to the building industry and not likely to suffer in the forseeable future. For ICI is convinced that, while interest rates may come down to 6½%, and conceivably to 6%, in the next few years, they are not likely to get any lower—an opinion worth noting by lesser companies hoping for a more dramatic reduction.

Sir Billy sticks to his last

Sir Billy Butlin, king of holiday camps, announced in his chairman's statement that he expected to be able to maintain his dividend this year: this is important, since cover for the 55% dividend was only 1.2. In other words a freely-distributing company with a growth rate like Butlin's loses only one year's increase of dividends through the impact of corporation tax: the shares at 9s 10½d yield 5.6%, which seems unreasonably high.

The New Taxes:
Record and Reassessment

BRITAIN'S old system of company taxation was effectively a high corporation tax (15% profits tax plus the 41¼% standard rate giving a total of 56¼%) substantially offset by allowing the shareholder a credit of 41¼% (the standard rate) against his personal tax liability on dividends. The new system is that of a comparatively low corporation tax with no tax credit to the shareholder. At the level of general fiscal policy this may have one important unpublicised advantage of which the Chancellor was undoubtedly aware. With the initially low level of corporation tax (compared, say, with the United States where, however, personal tax rates are lower) the Chancellor has considerable scope to impose a higher level of corporate taxation in subsequent years without it seeming politically too terrible. Since many analysts have convinced themselves that in the domestic market increases in the corporation tax will be passed on in the form of higher prices, then—to put it at its most cynical—the corporation tax in fact offers an opportunity for higher indirect taxation in a way that is acceptable to the trade unions.

Corporation tax is expected to make companies rely more on retained earnings than on externally raised funds, since a £ of equity capital subscribed by the shareholder costs him a full £1 while a £ of capital provided by the shareholder by forgoing dividend costs him only £1 less the 41¼% tax that he would have had to pay on dividends. Hence the company, in the shareholder's interest, should rely more heavily on retained earnings. This expectation could prove doubly false: large companies tend to be largely self-financing in any case while smaller companies raise new equity capital from simple lack of sufficient internal cash flow. And increased corporate saving is likely to be minimised by the declared intention of many chairmen to maintain dividends even at the cost of reduced retentions—and a possible increase of taxation receipts to the Exchequer.

On overseas investment the corporation tax will effectively limit the extent to which foreign taxes can be credited against British taxes to the level of corporation tax. This should adversely affect some categories of investment in high-tax foreign countries. The actual impact of this must depend on (1) the extent to which companies investing abroad have alternative investments in Britain—many obviously have not; (2) to the extent to which they intend to repatriate profits to this country and—since investments involve long term considerations—(3) their assessment of the long-term level of Britain's corporation tax being higher than the initial level.

The **capital gains tax** is a long overdue reform, especially necessary with the introduction of the corporation tax which gives very considerable tax advantages to the majority of "close" companies which retain a high proportion of their earnings. Tax avoidance through retained profits, transforming otherwise highly taxable income into untaxed or low taxed capital gains, is a major and possibly incurable weakness of all modern tax systems. And corporation tax largely nullifies one effect of the capital gains tax by restricting the advantages from this form of tax avoidance, because many close companies will save more from the company tax than their owners need to pay capital gains tax. This is a major objection to the corporation tax as a weapon in the fight against the present, very unequal, distribution of wealth in this country.

Looking back on the Finance Bill two things are now clear. The first is that the capital gains tax in its modified form is an essentially sound and well conceived reform although other—and possibly more desirable—methods of taxing capital (gifts tax, wealth tax, etc.) might have greater long-term advantages. The corporation tax, however, is a costly experiment in fiscal reform offering minimal returns, and with substantial disadvantages. The second point is that despite these very serious technical weaknesses in the Finance Bill, the conception and enactment of such wide sweeping changes is a fundamental innovation in British economic and fiscal legislation: and is tangible proof of a refreshing willingness to stake large amounts of political capital on ideas.

How the Corporation Tax offsets Capital Gains Tax

Suppose a company distributes a quarter of its net of corporate tax profits—more than many private companies—and that it can invest to earn 6% net of all taxes.

Old System £		New System £	
Profits	10,000	Profits	10,000
Tax (56·25%)	(5,625)	Corporation Tax	(3,700)
	4,375		6,300
Dividends (Net)	(925)	Dividends (Net)	(925)
		Dividend Tax	(650)
Retained Earnings	3,450	Retained Earnings	4,725
Total Tax	5,625	Total Tax:	
		Corporation Tax	3,700
		Dividends Tax	650
			4,350

Saving in tax compared with old system is £5,625 - £4,350 or £1,275. The capital gains tax liability is, at most, tax at 30% on the £4,725 of retained earnings, or £1,417.5. While this brings the total tax due to marginally *more* than the present liability, the owner of the business has considerable flexibility as to when he will pay. More important, he has the use of the delayed (i.e. future capital gains) tax for as long as he chooses; profits or interest earned on this will more than offset the additional tax liability.

OLD TAX SYSTEM — 1965 FINANCE ACT (i.e. Bill as amended)

CAPITAL GAINS

Tax payable on short-term gains only, i.e. on profits on sales of securities held for six months or less, or property (other than one's own house) held for three years or less. Taxpayer's full marginal rate applied.

Additional long-term gains tax. Range of assets wider than for short-term gains—includes also personal chattels sold for £1,000 or more, works of art, etc., and sales of capital assets of businesses, where the proceeds not reinvested. Company to pay at corporation tax rate (see below) individuals at lower of 30% or ½ marginal rate (¼ under original Bill). Gilt-edged exempt (by amendment to Bill) to extent of difference between issue and redemption price. Securities valued at Budget Day, 1965, ½ way up (¼ under Bill) between selling and buying stock market prices or at earlier buying price if higher. Life assurance policies exempt (under Bill only person who took out policy when proceeds go to immediate family was excepted); but life funds will be liable to tax.

COMPANY TAX

Income Tax at standard rate (now 41¼%), profits tax at 15% (for companies with profits of over £12,000, tapering downwards). Dividends to shareholders liable to no further tax in their hands, except surtax for those with employment incomes over about £5,000 (or investment incomes, £2,000). Low tax rate shareholders entitled to recover some tax paid by company.

A new corporation tax around 35% to 40% to apply to profits of all companies. Dividends to be charged to tax again in hands of shareholder at his marginal rate. To avoid double corporation tax, old profits tax concept of "franked" and "unfranked" investment income applies. Thus in the hands of a company, dividend income from another company will be "franked," and not be liable to corporation tax a second time. But income from government securities or from debentures will be unfranked and liable to corporation tax in hands of a company. Original Finance Bill anti-avoidance provisions to prevent companies "forestalling," by paying out big dividends before new rules take effect, have been watered down.

OVERSEAS INVESTMENT

For direct investment, in general relief given for overseas company tax against British company tax (i.e. up to about 56¼%). For portfolio investment relief given against British income tax (and profits tax) for withholding taxes payable abroad (i.e. on dividends). Also for underlying, or company, tax paid abroad to some extent, according to provisions of double tax treaties.

Since British company tax to be only 35-40% in future, large part of foreign company tax to be unrelieved. But since British companies will now have to deduct income tax from dividends they pay out (and pay it to Revenue), they pressed to be allowed to deduct overspill of foreign tax against this liability. Finance Bill said no, in principle, but gave transitional relief to companies with large investments abroad who would have to pay more British tax. This relief extended (from 5 to 7 years) in Act, and made altogether more generous, Relief for overseas company tax available only for direct investments (i.e. holdings of 25% or more, widened in Act to include holdings of 10% or more in companies in Commonwealth countries). As for other, "portfolio" investment, double tax agreements to be renegotiated, to reduce relief for underlying tax. Unilateral relief, where no agreement exists, to be stopped.

OVERSEAS TRADING CORPORATIONS

Companies with their business entirely abroad paid British income and profits tax only on profits remitted to Britain for distribution as dividends. This was important only for companies in countries with tax rates lower than British (otherwise no British income tax and profits tax payable). Main groups were tin and rubber companies.

Finance Bill abolished OTC's special regulations, but this did not matter much as with British company tax at 35-40% little would be payable anyway. But OTC's hit in same as other companies with overseas income. Under Bill they would have had no transitional relief either, as they have no overspill. Act gives them relief *as if* they had overspill of the maximum allowable (53¼% to 40%).

CLOSE COMPANIES

Two definitions:

(a) for profits tax, to pick out "director-controlled" companies. Remuneration of "directors" (as specially defined; now redesignated "participators") was subject to limits. Excess not deductible for profits tax.

(b) for surtax. Slightly broader definition picked out "controlled companies." Definition excluded all companies where public had 25% interest. Controlled companies had to pay out all investment income and reasonable proportion of profits, in principle. Otherwise *whole* of profits apportioned among members, assessed individually.

Single definition: Companies with less than 35% in hands of public (50% under the Bill), controlled by 5 or fewer people, families counting as one, i.e. same as old surtax company except for 35% instead of 25%, and slightly wider definition of family. Close companies to pay out 60% of trading income, or give reason why. Any under-distribution will be apportioned among (and assessed on) members, but only up to 60%. "Normal" interest payments, disallowed under Bill, now allowed as deduction for corporation tax, unless paid to "participator" (director, other than whole-time service director, or one of the five or fewer controlling shareholders). Directors' remuneration deductible for corporation tax, but within prescribed limits. These limits are more generous than under Bill, much more generous than under old profits tax rules.

INVESTMENT AND UNIT TRUSTS

Both theoretically liable to short-term gains tax. Too much switching unusual because of danger of being assessed as dealers (on all profits on sales of securities). Neither paid significant UK tax as investment income either received net (tax paid), or from abroad, in which case double tax relief against foreign company and dividend tax usually extinguished any British tax liability.

Both liable to capital gains tax (originally at corporation tax rate, reduced, by famous Tory amendment to 30%); but shareholder or unit-holder gets relief against own cgt liability for tax paid by trust. Definition of trusts for this purpose: must not be closed company (under Bill, more than 50 members), must pay out 85% income (90% under Bill) and not have more than 15% (by cost) of portfolio in one company (other than another trust), or up to 25% by value if held on budget day, 1965. All these definitions were tighter under Bill. Another amendment covers unit trusts that are contracting. Gains on securities realised to pay out holders who are liquidating units will be assessed on holders in such cases, not on the trusts.

ENEL NATIONAL ELECTRIC ENERGY AGENCY

REPORT AND ACCOUNTS AT DECEMBER 31, 1964

The Report of the Board of Directors gives an account of the further work of organisation carried out during the course of the financial year, with the premise that the accounts refer to 221 of the 698 enterprises which had been officially transferred to ENEL by the end of 1964, representing about 92 per cent of the entire complex of installations and other assets subject to nationalisation (the accounts at end-1963 referred to 73 enterprises). At the end of 1964 there had been established 29 Districts or District Centres (covering the 20 Regions into which Italy is divided) and 133 Zones of the total of 162 planned (to cover the 92 Provinces).

The Report continues with detailed information concerning the progress of management. In 1964 **gross production** of electric energy by ENEL was 50,268 million kWh, of which 25,735 million kWh was hydroelectric power, 20,462 million kWh was thermal electric power, 2,527 million kWh geothermal power and 1,544 million kWh was nuclear power. Compared with the previous year the increase in gross production was 5.3 per cent, the corresponding increase in 1963 being 8.46 per cent. Hydroelectric production was down by 18.7 per cent, due to low hydraulicity, whilst thermal power output rose by 53.8 per cent.

Aggregate Italian output (by ENEL and other producers) was 73,516 million kWh in 1964, with 71,782 million kWh fed into the network to meet internal consumption (taking into account imports and exports). The increase in aggregate gross production was 6.9 per cent in 1964, whilst in 1963 the rise was 9.3 per cent compared with the previous year.

Sales of electric power by ENEL in 1964 amounted to 46,030 million kWh, an increase of 7.2 per cent compared with 1963. At December 31, 1964, the number of consumers had reached 17,715,642, showing an increase of 1,171,749, or 7.1 per cent, over the figure at the end of the previous year. Particular impetus was given to the service of new connections, enabling an appreciable shortening of the time between the completion of the contract for supply and the connection of the consumer.

During the course of the year seven new hydroelectric plants entered into service with an aggregate maximum capacity of 184,650 kW and an average annual producibility of 457.5 million kWh, as well as eight new thermal power sets for an aggregate gross maximum capacity of 1,185,000 kW.

With the transfer of the relative installations, ENEL currently disposes of three nuclear power stations (Latina, Garigliano and Trino Vercellese) in regular operation and having an aggregate capacity of 546,000 kW, which will rise to 617,000 kW in June, 1965 when the second set of the Trino Vercellese plant starts operating. The aggregate annual producibility of these three plants is 3,800 million kWh (4.3 billion as from June, 1965).

The unceasing rate of technological progress in the nuclear field, again evident in 1964, confirms that the role to be played by nuclear energy in meeting Italian energy requirements will acquire an ever-greater importance in the coming years, until it becomes predominant among the other primary sources of energy.

Dealing next with **planning**, the Report of the Board of Directors points out that the slight slackening in the rate of increase of consumption of electric power registered in Italy last year was of a purely conjunctural character, from which it is not possible to draw conclusions regarding medium-term trends which condition the estimates of requirements of electric energy, and consequently of new plants, for the next five years. The Agency therefore considers that the investment programme resolved upon in 1963 is still valid; the programme is based on average annual compound growth-rates of 9 per cent in national requirements of electric power and of 9.5 per cent of capacity.

In the Report for 1963 the aggregate expenditure for new ENEL plants was estimated at Lire 1,740 billion for the quinquennium 1964-1968. As a result of a careful analytical review, taking into account the up-dating of the programme and the intervening increase in costs, a new estimate has been arrived at for the quinquennium 1965-1969 amounting to Lire 2,110 billion.

An important section of the Report is devoted to **"Scientific and Technological Research,"** in which sector activity concerning electric energy continued to be intense. Co-ordination is effected by the Central Management for Research, which avails itself of the centres and services established in the Divisions, with which it is functionally linked. The Agency gives considerable attention to scientific research, on which technical progress depends, thus fulfilling one of the basic presuppositions for the nationalisation of the electricity supply industry in Italy.

The number of **personnel** employed at December 31, 1964, relative to the 221 enterprises to which the accounts refer, was 70,447. This represents an increase of 2,560 compared with the figure at the end of the previous year. The increase is accounted for as follows: 1,507 employees taken over from the former contracting firms, in accordance with the Labour Agreement of December 18, 1963; 225 employees taken over with the enterprises integrated into the organisation of the Agency during 1964; and 828 representing an actual increase in the number of personnel engaged, due not only to increased activity but also to the reduction in working hours of operatives, who now enjoy equal conditions with the administrative staff in this respect.

In 1964 the aggregate cost of personnel rose from Lire 214,653 million to Lire 260,555 million; however, if account is taken of the cost of additional personnel engaged in 1964, the increase in cost reduces to about Lire 40 billion, or 18.2 per cent. If comparison is made to the 68,000 personnel employed at December 31, 1963, the average increase in the cost per employee in 1964 results at about Lire 588,000.

The **engagement of personnel** of all categories is effected on a competitive basis. Despite the fact that this is an onerous system, and occupies a considerable amount of time of the personnel offices because of the large number of candidates presenting themselves, there is no intention of changing the system, above all because it protects the Agency from external pressures and enables the recruitment of young and highly selective personnel.

Referring to **financing**, the Report recalls that the financial requirements of the Agency have to meet:

(a) the payment in cash of indemnities, together with interest of 5½ per cent thereon, to be effected in 20 half-yearly instalments starting from January 1, 1964; and

(b) the cost of new investments not covered by self-financing.

On the basis of the assumption of aggregate indemnity of Lire 1,700 billion, ENEL's total commitment, taking into account interest payments, amounts to Lire 2,276 billion.

In 1963 two 20-year 5 per cent bond loans were issued for nominal amounts of Lire 44 billion and 111 billion respectively, both underwritten ex-market by the Cassa Depositi e Prestiti at a price of 95½, that is to say at a discount of 4½ per cent. With the net proceeds of these two issues the Agency was able to pay to those so entitled the interest for the first half-year 1963 as well as the first half-year instalment of indemnity falling due on January 1, 1964.

For the payment of the second half-yearly instalment on July 1, 1964, the Agency was authorised to issue further bonds of similar description for a nominal amount of Lire 130 billion. These bonds were also underwritten by the Cassa Depositi e Prestiti, but this time at a price of 85½, in other words, at a discount higher by ten points compared with the previous loan. At the same time another loan of similar description was issued for Lire 11 billion, which was taken up at a price of 88½ by the Istituto Nazionale delle Previdenza Sociale. To meet the payment of the third half-yearly instalment of indemnity, due on January 1, 1965, ENEL was authorised in December, 1964, to issue another 20-year loan at 6 per cent, which was taken up at a price of 91 by the Istituto di Credito delle Casse di Risparmio Italiane.

Another issue of Lire 50 billion was made in November, 1964, for the purpose of consolidating (together with the proceeds of the above-mentioned I.N.P.S. loan for Lire 11 billion) the short-term indebtedness contracted by the former nuclear enterprise SIMEA prior to its transfer to ENEL. This latter bond issue was also underwritten by the Istituto di Credito delle Casse di Risparmio Italiane.

The burden of the discounts relative to the abovementioned loans amounts to Lire 37,075 million. At this same rate, the discounts to be borne by ENEL for the completion of the payment of indemnities would be more than Lire 200 billion, which—the Report states—the Revenue and Expenditure Account of the Agency is not capable of sustaining.

Cash payments to the former electricity companies effected by ENEL up to January 1, 1965, amounts to Lire 343.5 billion.

Because of the unfavourable situation of the national economy ENEL was not able in 1963 and 1964 to issue bonds for public subscription for the financing of its own commercial requirements. However, the improved Stock Exchange situation in the later months of 1964 permitted the placing of a loan on the market in January of this year for the amount of Lire 75 billion at 6 per cent, redeemable in 20 years and offering premiums totalling Lire 900 million. The loan was more than covered (actually by more than Lire 100 billion) in the single day of issue, necessitating the allocation of bonds to subscribers. The success of the operation served to re-establish a relationship between the private saver and the electricity supply industry for which there had been a long tradition in Italy.

None of the loans concluded in 1964 were intended to cover the requirements of the Agency to meet new investments. To provide for these, apart from self financing and other internal resources of a temporary nature, it was perforce necessary to resort to further short-term bank loans. Taking into account the deposit, advanced by a few days of the proceeds of the Lire 125 billion loan concluded with the Istituto di Credito delle Casse di Risparmio Italiane, actual bank indebtedness at the end of 1964 was about Lire 155 billion.

The Report takes as a starting point the conduct of the financial management in order to submit to the responsible authorities the case for the assignment to the Agency of an adequate endowment fund, as was provided in the case of "Electricite de France."

The Report continues:

"The Board was pleased to note that these problems had attracted the attention of, and had been given proper importance by, the Corte dei Conti in its report to Parliament on the first Balance Sheet of the Agency, even though—as a result of arbitrary inferences contained in the report—that section of press which opposed nationalisation at the time had used the report as a pretext to insinuate non-existent defects in the management of the Agency."

Recalling that the present level of the electricity rates is the same as obtained in 1959 it is pointed out that the stability of rates over a period of more than five years is all the more remarkable in that the Italian economy has in the meanwhile been characterised by a persistent rise in prices; thus, effectively, the level of Italian electricity rates has fallen, in real terms, by more than 30 per cent between 1959 and the present. During the same period in France there have been increases of rates in 1959 (about 7 per cent), in 1963 (about 7½ per cent) and in August, 1964 (1.75 per cent). In England and Wales where each Area Board applies

ACCOUNTS AS AT

BALANCE SHEET

Land	3,317,392,692
Buildings	48,909,328,260
Electricity Plant in Operation:	
Generating Stations	1,799,715,590,563
Transmission Lines	259,987,053,085
Transformer Sub-stations	235,050,762,228
Distribution Networks	918,661,175,746
Electricity Plant under Construct	277,621,342,991
Other Plant and Machinery	14,750,179,606
Furniture, Technical, Administra nd other Equipment	27,709,056,100
Total	3,585,321,881,277
Plus value of Property and Obligations o Enterprises	388,876,719,761
Expenditure and Losses to be Amortised	
Discounts on Loans for Payment of Indem	36,230,250,000
Others	14,681,132,710
Stock on Hand:	
Material and Equipment	77,420,928,903
Fuel and other Stocks	7,969,868,374
Cash on Hand	1,225,095,248
Fixed-Interest Securities:	
Bonds	3,366,412,002
Other	5,782,309,798
Stocks and Shares Held	3,721,392,626
Cash at Banks	33,859,278,732
Bills Receivable	247,550,395
Consumer Credits Outstanding	
Current Accounts	105,805,006,043
Others	71,569,802,965
Credits with Equalisation Funds	2,573,934,127
Advances to Suppliers	29,669,920,575
Other Credits	89,677,413,414
Accrued Values Receivable	4,600,606,431
Grand Total	4,465,489,803,413

LIABILITIES

Depreciation Fund	
Buildings	7,261,179,056
Electricity Plant in Operation	1,332,142,798,883
Other Plant and Machinery	5,430,879,872
Furniture, Technical, Administrative and other Equipt	10,472,018,016
Total	1,355,306,875,827
Credit Depreciation Fund	3,000,000,000
Special Contingency and Contingent Liability Fund	2,000,000,000
Personnel Indemnity and Provident Fund	186,977,616,016
Debts Secured with Real Property	312,164,802,040
Other Indebtedness	80,766,176,917
Bonds Issued and in Circulation	495,617,640,551
Advances and Collateral by Consumers	60,148,786,573
Bank Indebtedness	56,396,950,007
Bills Payable	22,220,320,330
Suppliers Accounts Outstanding	79,255,062,597
Social Insurance Contributions Payable	13,276,967,423
Taxes, Dues and Fiscal Reimbursements Payable	135,157,197,021
Equalisation Fund Payments Outstanding	184,862,388
Other Indebtedness	166,248,397,377
Accrued Values Payable	17,616,586,095
Indemnities Payable	1,343,861,682,468
Total	4,360,529,923,639
Provisional Net Assets of former Ele	104,719,791,936
Balance Carried Forward—1963	112,631,064
Balance Carried Forward—1964	127,456,774
	4,465,489,803,413

Suspense Ac

Deposits	
Guarantees and Warranties	61,588,628,595
Other Suspense Accounts and Co	41,067,409,175
	109,586,098,154

Suspen Accounts

Deposits	6,930,060,381
Guarantees and Warranties	61,588,628,595
Other Suspense Accounts and Contra Items	41,067,409,175
	109,586,098,154

RESULTS OF ORDIN

Interest Paid on Indemnities, per Nationalisation Law	
Interest on Loans for Indemnity Instalments already P	
Balance Carried Forward—1964	
Ordinary Net Profit for 1964	

different conditions, it can be observed that between 1959 and 1963 the price per kWh rose on average by 14 per cent.

The Report then proceeds to deal with "**Rural Electrification,**" observing that in Italy, as well as in the other economically advanced countries, there has been no lack of effort and intervention to bring this problem to a gradual solution, with recognised progress.

For its part, ENEL has readily devoted the greatest attention to the problem, directed along two principal lines of action; firstly, the creation of a far-reaching service of advice to assist those directly interested in the specification of the facilities applicable in individual cases and in the preparation of the official documentation required for obtaining the permissible benefits; and secondly, the initiation of a series of surveys to provide as profound an assessment as possible of what remains to be done and of the choice of instruments, for submission to the responsible authorities, with the intention of facilitating the definitive solution of the problem, above all in consideration of the financial effort still required.

In particular, two separate surveys were initiated aimed at eliminating any lack of reliable and updated information on the present situation of the diffusion of electricity services in the countryside. The first of these, completed in 1964, concerns the ascertainment of centres and nuclei not yet connected; the second survey, still in progress, is aimed instead at the identification of scattered dwellings without electricity services, and is the first survey of such a comprehensive nature to be carried out, not only in Italy but also elsewhere.

The survey of small centres and nuclei, which brings up to date a previous survey by Anidel in 1960, revealed that 5,632 centres and nuclei were connected to the network between 1960 and 1964, that is to say 56 per cent of the 10,093 localities which were still without electricity services at the beginning of the period. The population of the centres and nuclei connected totals just over 300,000, whilst that of the 4,461 still to be connected amounts to about 182,000. Of these latter centres and nuclei some 3,425, or 77 per cent, are very modest in size, none of them having more than 50 inhabitants.

A plan is being studied by government departments aimed at providing an organic and effective five-year programme for the completion of rural electrification. ENEL is collaborating, and will continue to collaborate, in the preparation and implementation of this unified plan.

Passing to an examination of the principal items in the accounts, the Report draws attention to the following:

1) Investments effected during the financial year amount to more than Lire 302 billion, compared with Lire 257 billion the previous year.

2) Allowances for depreciation total Lire 106,800 million, against Lire 93,687 million the year before.

3) The Credit Depreciation Fund and the Special Contingency and Contingent Liability Fund have been increased, to reach Lire 3 billion and 2 billion respectively.

4) The single tax on power generated for 1964 was ascertained and appears in the accounts at Lire 52,476,900,000.

5) Consumer Credits Outstanding (exclusive of accounts in the course of collection) stand at Lire 74,569,802,965, of which almost Lire 41 billion refers to local governments, hospitals and public authorities.

6) The Personal Indemnity and Provident Fund, at almost Lire 187 billion, completely covers superannuation commitments regarding all personnel employed at December 31, 1964.

The Report concludes:

"It is hoped that so far this statement has given not only a full account of the complex activities carried on by the Agency in its second year of existence and of the financial results achieved, but also a picture of the future prospects and of the new problems that are appearing on our horizon.

Basically, the accounts only cover a moment in the life of a business organisation, almost an instant in which there is a summing-up, indicating certain results; an instant chosen in a conventional and, it may be said, arbitrary manner, since December 31st or June 30th or any other date does not hold any special importance in the continuous process of productive activity. Nevertheless, a very short pause permits the opportunity

DECEMBER 31, 1964

EXPENDITURE		Lire
Purchase of Electricity from Others	kWh 4,700,153	23,528,592,158
	(000)	
Initial Stocks:		
Material and Equipment on Hand		70,532,133,769
Fuel and other Stocks		9,898,420,700
Depreciation:		
Buildings		867,000,000
Electricity Plant in Operation		103,127,000,000
Other Plant and Machinery		770,000,000
Furniture, Technical, Administrative and other Equipment		1,736,000,000
Devaluation:		
Expenditure and Losses to be amortised		2,130,850,186
Appropriations:		
Credit Devaluation Fund		1,612,410,901
Special Contingency and Contingent Liability Fund ...		602,391,032
Personnel Indemnity and Provident Fund		45,714,717,246
Assets Written-off in course of Depreciation:		
Assets sold, destroyed or transferred to stock and utilised		9,526,440,999
Personnel Costs:		
Salaries, Wages and other Remunerations		156,980,914,173
Compulsory social contributions		53,802,723,095
Voluntary social contributions		4,018,175,640
Superannuation and other payments		17,879,519,280
Notary, Legal and Professional Fees		2,157,754,431
Purchases of Fuel and other Supplies		51,944,607,919
Purchases of Materials and Equipment		171,545,707,396
Works, Repairs and Maintenance		169,464,013,864
Interests, Discounts and other Financial Charges...		58,148,365,317
Losses on Credits and Securities		768,356,776
Other Contingent Expenditure		318,900,430
Grants to Mountain Communities, Dues and Licences... ...		11,380,603,818
Taxes and Dues		58,900,998,865
Publicity, Advertising and Press		271,988,912
Grants for Scientific Research		1,046,083,995
Other General Expenditure		11,097,832,458
Total		1,040,411,563,190
Interest on Indemnities, per Nationalisation Law...		86,898,900,000
Total		1,127,310,463,190
Balance carried forward		127,456,774
Grand Total		1,127,437,919,964

REVENUE		Lire
Sales of Electricity to other Electricity undertakings	kWh 2,871,114	22,823,604,352
	(000)	
Sales of Electricity to Consumers:		
Public Lighting	kWh 829,307	14,081,999,637
Private Lighting	" 3,992,394	131,676,112,268
Domestic Appliances and Combined ...	" 5,909,211	107,136,861,956
Industrial and Irrigation, up to 30 kW ...	" 5,184,710	123,506,957,648
Industrial over 30 kW to 500 kW ...	" 7,198,636	102,628,339,442
Industrial over 500 kW	" 20,044,710	160,794,827,708
Total Sales of Electricity to Consumer ...	kWh 43,158,968	
	(000)	
Total		662,648,703,011
Income from Connections, Inspection Charges and Removal of Meters		32,135,100,766
Sales of Equipment and Materials for Installations		7,303,578,837
Refunds for Damages, Penalties, etc.		811,981,584
Contributions from Equalisation Fund		347,825,365
Interest and Discount Received...		1,903,810,958
Rents and other Dues Received		583,630,038
Other Ordinary Revenue		5,544,407,904
Special Revenue		4,705,800,283
Disposal of Assets:		
Proceeds of Sale of Buildings, Plant and Machinery ...		879,543,898
Depreciation Written-back:		
On Assets sold, destroyed or transferred to Stock		5,004,926,615
Withdrawals from Funds:		
Credit Devaluation Fund		—
Special Contingency and Contingent Liability Fund ...		—
Personnel Indemnity and Provident Fund		17,879,519,280
Capitalisation of Works, Repairs and Maintenance Expenditure:		
Land and Buildings		1,312,815,460
Plants in Operation		151,977,670,685
Plants under Construction		143,668,691,502
Other Plant and Machinery		1,183,570,167
Furniture, Technical, Administrative and other Equipment		4,255,546,332
Stock on Hand:		
Materials and Equipment		77,320,028,905
Fuel and other Supplies		7,969,868,374
Total		1,127,437,919,964
Grand Total		1,127,437,919,964

ARY MANAGEMENT

	Lire
... ...	86,898,900,000
... ...	5,497,100,000
... ...	127,456,774
... ...	92,523,456,774

to review the work completed, to point to any defects and to draw lessons for the future.

Certainly a vast amount of work has been accomplished; to replace several hundred companies of different origins and of different sizes, ensuring at the same time complete continuity of service; to provide the new Agency with a structure and a modern organisation; to proceed rapidly with the co-ordination of the various installations, both for generating power and for transmission and distribution; to continue with the works in progress and to plan new investments; to arrange for the integration of numerous personnel, already trained in different methods; to promote scientific and technological research; and to attend to a large volume of litigation; these are some of the tasks with which all sectors of the Agency were again intensively engaged in 1964.

It is not for us—actively engaged in the process on hand—to judge if this work has been done well or if it could have been done better, also bearing in mind the time involved. The Board can only gratefully acknowledge the intelligent, valuable and efficient collaboration of the General Management, of the Divisional Managements and of all personnel of all categories.

The year 1964 was not an easy one, not so much because of work which had to be dealt with, although that also presented complex and delicate problems in many cases; it was rather more due to the fact that a newly-established public Agency, created to take the place of a considerable number of private enterprises, must inevitably find roughness and obstacles in its path, especially in the early stages.

With strength deriving from the right established in the basic constitutive law and from the laws issued subsequently, ENEL will not fail—as it has not failed to date—to defend the spirit of reform, in the conviction, tested in these past two years, that the nationalisation of a service so important and so closely associated with the economic and social life of the country will result without any doubt in advantage to the nation as a whole.

This successful outcome is based, however, on certain presuppositions to which brief reference must now be made. One is represented by the inherent benefits of the unification of the electricity supply industry. Mention was made in the Report for 1963, and there has been reference in various parts of the present document, of the very real benefits obtained, confirmed by this second year of activity, and which can be even greater in the future. By way of example, it is sufficient to recall the increase in overall efficiency of the thermal power stations and the advantages accruing from the coordination of operation.

Also the modest increase of 828 in the number of employees in 1964 is lower than that registered on average during the last years of operation of the transferred enterprises. This is despite the reduction in working hours of operatives and despite the fact that several hundred persons are engaged in tasks that are in no way concerned with the ordinary management. These are the delicate tasks, associated with nationalisation, that not only occupy many personnel but also involve relatively high costs.

Another presupposition is the effective coordination by ENEL—in observance of the directives established by the Committee of Ministers—of the electricity supply activities of bodies and enterprises other than the Agency. This coordination is explicitly provided for by Article 3 of Law No. 452 of June 27, 1964, which renewed the powers of delegation to the Government to issue, among others, the integrative regulations of the nationalisation law.

Of the regulations issued, contained in Articles 10 *et seq* of Presidential Decree No. 342 of March 18, 1965, worthy of special mention is Article 21, which adds a paragraph to Article 13 of Presidential Decree No. 36 of February 4, 1963. The article concerns the request for authorisation for new generating plants, intended to satisfy demands forecast in the production plans of the applicant; the additional paragraph reads "Authorisation may only be granted for plants which satisfy new requirements for new production plans, and which, in any case, are compatible with the development estimates of the National Electric Energy Agency and with the programmes of the Agency."

In the context of a nationalised electricity supply industry it would in fact be inconceivable to leave bodies and enterprises other than ENEL free to apply indiscriminately and to obtain authorisation for the construction of new plants, independently of programmes prepared by ENEL, properly approved by the Committee of Ministers.

The third and last presupposition is that the Agency succeeds in ensuring "at lowest operating costs" the supply of electric power adequate in quantity and price to meet the requirements of the balanced development of the national economy, as prescribed in Article 1 of the constitutive law.

The Board is bound to recognise in this connection that the incidence of the cost of personnel on the overall costs of management has reached such proportions that cannot be exceeded. In 1964, despite the fact that it was not affected by contractual improvements compared with the previous year, the cost of personnel rose by about Lire 40 billion, that is by 18.2 per cent, against an increase of 8.6 per cent in revenue, due to increase of a general character (cost of living index, seniority, sickness assistance to retired personnel, etc.).

The difference between the two increases, if it should continue, could only bring about a crisis in the balance of the Revenue and Expenditure Account and in the stability of the Agency itself. The Board therefore relies considerably on the sense of responsibility of the personnel, who are already enjoying incomes that must be considered among the best in the entire field of Italian labour, and who can have no interest whatever in hindering the application of the rules of sound and economic business management, to the benefit of the entire nation."

Mr. Chobei Takeda VI, President, Takeda Chemical Industries, Ltd.

TAKEDA CHEMICAL INDUSTRIES, LTD.

Takeda 武田薬品工業株式会社

FINANCIAL SUMMARY FOR THE YEAR ENDED 31st MARCH 1965

		Yen Millions
Land, buildings, machinery and equipment, less depreciation		24,572
Investments in and advances to subsidiaries and affiliates and others		13,130
Current assets	59,773	
less current liabilities	43,066	16,707
Other assets		6,319
		60,728
Less employee severence and death benefits	5,943	
Long term debt	14,187	20,130
		40,598

	Yen Millions
Issued capital of 300 million shares	15,000
Capital and revenue reserves	25,598
	40,598
Net sales	94,784
Operating profit	17,852
Interest and other expenses less interest, dividends and other income	984
	16,868
Provision for income taxes	8,195
Net earnings after tax	8,673

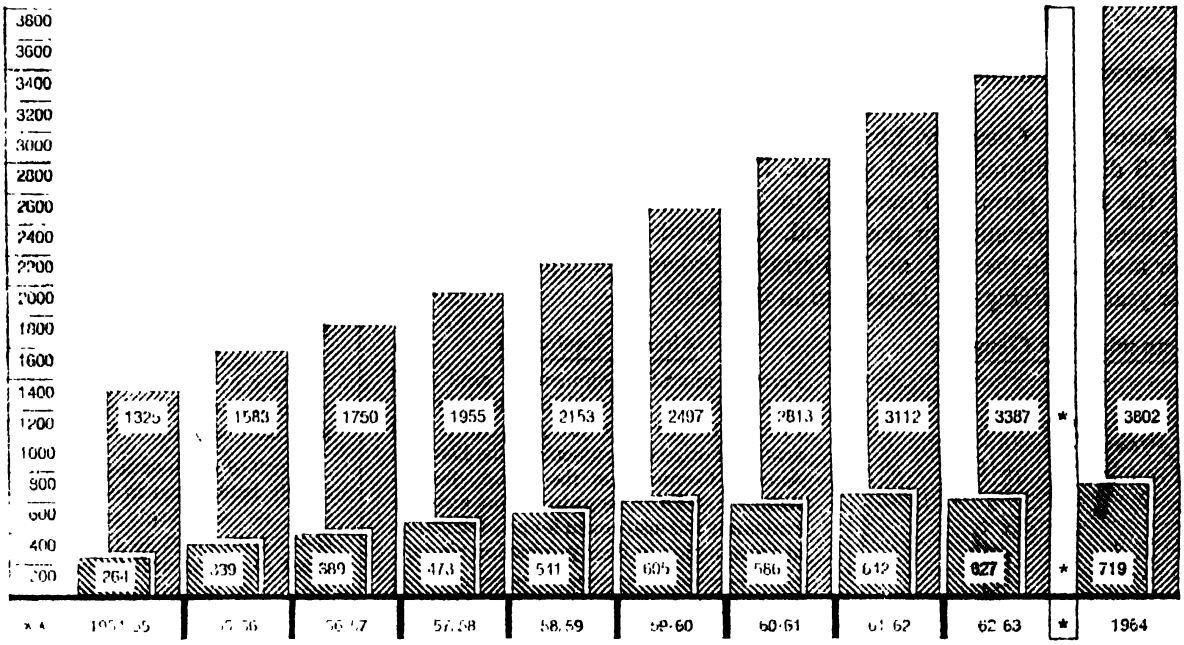
Semi-annual cash dividends: 6 months to 30th September, 1964, ¥3.75 per share ¥1,125 million; 6 months to 31st March, 1965, ¥3.75 per share ¥1,125 million. This last dividend is not reflected in the above figures

Copies of the Annual Report will be available in due course from Morgan Guaranty Trust Company of New York, 33 Lombard Street, London, E.C.3.

AEG-TELEFUNKEN GROUP

The Group Turnover rose by 8% from 3.500 Million DM in 1963 to 3 800 Million DM in the Financial Year 1964. At the end of 1964 the Group had 126,700 people on its payroll compared to 124 800 at the end of 1963. Barring unforeseen circumstances we anticipate satisfactory results also for the current Financial Year.

Turnover Development of the AEG-TELEFUNKEN Group in Million DM ////// Group Turnover \\\\\\ Export



* Abbreviated Financial Year 1. 10 to 31. 12. 1963 ** Financial Year 1. 10. to 30. 9.; as from 1964 concurrent with calendar year.

The following record shows summarised balance-sheet items and their proportion of the balance-sheet total of the consolidated statements as at 31st December 1963 and as at 31st December 1964.

Assets	31. 12. 1963 Mil. DM		31. 12. 1964 Mil. DM	
Plant and equipment	724	26	724	26
Subsidiaries not consolidated	129	5	134	4
Fixed assets total	**853**	**31**	**858**	**30**
Stocks on hand	824	29	874	31
Accounts receivable	741	27	735	26
Liquid assets	367	13	347	13
Current assets	1932	69	1956	70
Balance sheet total	2785	100	2814	100

Liabilities	31. 12. 1963 Mil. DM	%	31. 12. 1964 Mil. DM	%
Share capital	402	14	415	15
Reserves	277	10	319	11
Minority interest	4		4	--
Total	683	24	738	26
Liabilities long-term	515	19	503	18
medium- and short term	1513	54	1507	54
Total	2028	73	2010	72
Net profit	74*)	3	66	2
Balance sheet total	2785	100	2814	100

*) Net Profit of Financial Year 1962/63 incl. Profits brought forward: 58 Million DM. Net profit of abbreviated Financial Year 1963: 16 Million DM.

At the Annual General Meeting of AEG it was resolved to pay a dividend of 16% for the Financial Year 1964.

Berlin, June 1965

ALLGEMEINE ELEKTRICITÄTS-GESELLSCHAFT

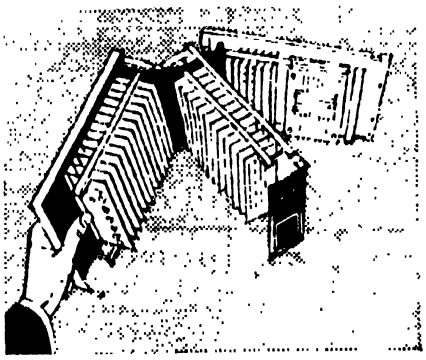
"We pursue the development of these advanced technologies to the limit of our resources"

SEBASTIAN de FERRANTI reports

AUTOMATION

Process Control by Computer. Imperial Chemical Industries have ordered six ARGUS direct digital control systems. Until recently, our equipment installed at the I.C.I. plant at Fleetwood in 1961, was the only direct digital control system in operation in the world. One-third of all D.D.C. systems ordered or installed in the U.K. are by Ferranti. Orders have rapidly increased during the year, justifying our investment in this field.

Micro-miniature Computer



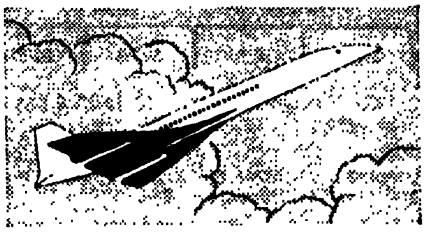
We have designed a new micro-circuit computer—the Argus 400. It employs our completely new range of micro-miniature integrated circuits to provide high reliability and improved performance at low cost. These factors, combined with its small size—the basic computer occupies 0.7 cubic feet—render Argus 400 eminently suitable for airborne applications, as well as industrial process control.

Numerical Control of Machine Tools

Our activities on the numerical control of machine tools are being extended into the application of computers as aids to design, through the development of new equipment providing a link between the designer and the computer. Substantial savings in time and effort at the design stage, along with the savings already provided by numerical control, will enable additional gains in productivity to be made.

Aircraft Equipment

Ferranti aircraft equipment is now fitted in the aircraft of 14 airlines and 21 Air Forces. In the past year, we have sold artificial horizon instruments to the Douglas Aircraft Company in the U.S.A. for installation in DC 9 aircraft. Boeing also are evaluating this instrument for possible standard installation in their production aircraft.



Our lightweight inertial platform and moving map display have been proposed for the Concord, in association with SAGEM of France which will supply the computer for this integrated inertial navigation system. The platform itself is a contender for the third stage of the LIDO project.

We are developing a lightweight portable homing and approach aid for helicopters and other VTOL aircraft operating in isolated and developing territories, and a fully transistorised audio warning system for Concord.

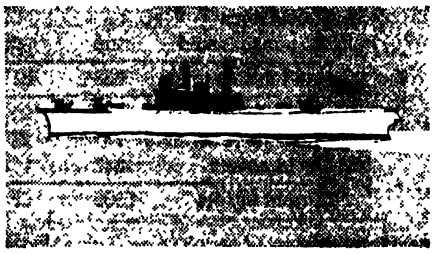
Interest has been shown by European Military authorities, and by representatives of the MoA, BEA and BOAC in our vehicle version of the moving map display. This device has potential at airports for guiding vehicles which would lead landed aircraft clear of the runway after completing an automatic landing in bad visibility.

Military Systems

AIR. Our military activities have been overshadowed by the cancellation of the TSR 2 and P1154 aircraft projects. The development of the gyro stabilised platform for TSR 2 was completed well within the cost and delivery time targets, and production was proceeding smoothly. The TSR 2 Forward Looking Radar work in Scotland was always within the estimates made as far back as 1961. We were expecting contracts for inertial navigation, fire control and radar equipment, for the P1154.

Much of our aviation equipment is technically better, and in some cases cheaper, than its American equivalent. We are sparing no effort to have this equipment fitted in the aircraft to be procured from the U.S.A. We are also pressing our case in Europe and have recently received an order from Switzerland for our Emergency Heading system for use in Mirage aircraft.

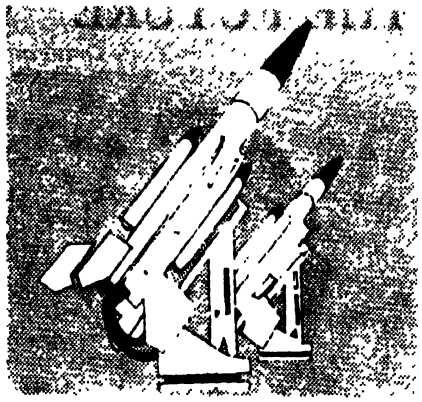
SEA. The Action Data Automation (ADA) System on HMS Eagle became operational during the year in the Far East, following successful trials. Further deliveries of this system were made during the year, and more orders are expected both from home and overseas Governments.



LAND. Following successful trials, first deliveries were made of a new land based computer-controlled Tactical Control System for mobile application. This area of our activities shows good promise, and we are keeping in close touch with the growing requirements of a number of Foreign Governments as well as N.A.T.O.

Bloodhound

Bloodhound II is now in full production, with deliveries being made to the Royal Air Force, to Sweden and to Switzerland. This system is, without question, the most advanced ground to air weapon in the world, and the prospect of sales to several other Foreign Governments is good. Export figures for this missile currently total over £40 million.



The profits we earned on Bloodhound I contracts were invested in advanced technologies like micro-electronics, computer process control and numerical control of machine tools.

We have undertaken to make a payment of £4¼ million to the Government. This payment will place a considerable additional burden on the resources of the Company and inevitably mean that our rate of investment in new technology will be reduced.

Semi-conductors

We are continuing our development activity on these devices, in order to maintain our strong position in this rapidly growing field. Output of semi-conductor devices, mainly transistors and diodes, increased by more than 50% over the year.

An important semi-conductor product is the solar cell, which produces electricity from sunlight at high efficiency. We have established ourselves as one of Europe's major producers of solar cells for space projects, by obtaining the contracts for both the British UK 3 and European ESRO 2 satellites.

Transformers

This year has seen increased output of the new, very large power transformers. The new technique of assembly on site developed for large installations in remote areas, has been applied to the transformer for Cruachan in Scotland.

Our unexecuted orders include giant auto-transformers for the C.E.G.B including one of 750MVA, as well as a 510MVA 700 kV bank for the Quebec Hydro-electric Commission. These latter are the first 700 kV auto-transformers to be ordered from a British manufacturer. At the end of the year, we had £4,000,000 of tenders outstanding in export markets, and have since received orders totalling approximately £1,000,000 against these.

This year we have virtually completed the major factory extension needed for our unexecuted orders of very large transformers. These extensions and the new transformer offices were opened by Mr. F. H. S. Brown, C.B.E., the Chairman of C.E.G.B. on the 10th June, 1965.

Our contributions to transformer technology included a completely new concept in the system transformer field, namely the IST 23 peak rated transformer. Since it was introduced in May 1964 firm orders for close on a hundred of these units have been received.

Meters

Our business in electricity meters has again produced record figures an increase of over 30% in meters ordered for export. Our share of total U.K. meter exports regularly exceeds 50%.

Insulation, Foundry, Instruments, Fuzes

INSULATION: Production of large resin bonded paper cylinders has been increased by over 25% to meet record demands.

FOUNDRY: Prospects for the foundry look promising due to improved demands both for iron castings and for NOduMAG non-magnetic castings. Our S.G. shell-moulded gears have created considerable interest both at home and overseas. INSTRUMENTS: Demand for indicating instruments has increased. Several significant contracts for electronic summation metering have been received this year, including one from a major German contractor for installation at the Mangla Dam in Pakistan. FUZES: We began manufacturing clockwork fuzes for armaments 30 years ago and are still producing substantial quantities of new devices in this field for the Armed Services.

Progress Abroad

CANADA: General economic conditions continue to improve. Transformer output by Ferranti Packard Electric Ltd., reached a new peak. AUSTRALIA: Wilson Electric Transformer Co., Pty. Ltd., in Australia are making good progress. ITALY: Industrie Elettriche di Legnano are developing a campaign to exploit our automation equipment.

I.C.T.

With a substantial holding of I.C.T. ordinary stock, we are very pleased to note the outstanding success of their new 1900 series of computers, which are based on techniques developed by Ferranti in England and Canada.

Government Support

We pursue the development of advanced technologies to the limit of our resources. We are encouraged by the possibility that substantial Government support for increasing these activities may be forthcoming. The establishment of the Ministry of Technology, as evidence of a serious Government interest in this area, is very welcome. The Minister, Mr. Frank Cousins, visited us in February, and we are in continuing contact with his staff in the preparation of proposals for projects important to growth of national productivity.

CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 1965

	£
The Net Profits of the Group amount to	1,123,524
To which is added the Balance brought forward	674,807
Making a total of	1,798,331
Deduct Preference Dividends for the year to 31st March 1965 less tax	84,958
	£1,713,373

CAPITAL AND RESERVES	£
ISSUED CAPITAL	
£500,000 7 per cent Cumulative Preference Stock	
£1,000,000 5 per cent Second Redeemable Cumulative Preference Stock	
£1,000,000 5½ per cent Third Cumulative Preference Stock	
£2,000,000 Ordinary Stock	4,500,000
RESERVES AND SURPLUS	7,738,625
	£12,238,625

	£
Payment of Dividend of 6% on the Ordinary Stock less Tax	70,800
Transfer to Capital Reserve Account, Taxation Relief on Investment Allowances	290,000
Transfer to General Reserve Account	675,000
Balance to be carried forward	677,873
	£1,713,373

ASSETS	£
FIXED ASSETS	8,526,980
INVESTMENTS	3,901,957
NET CURRENT ASSETS	4,775,949
	17,204,886
Less Deferred Liabilities and Provisions	4,966,261
	£12,238,625

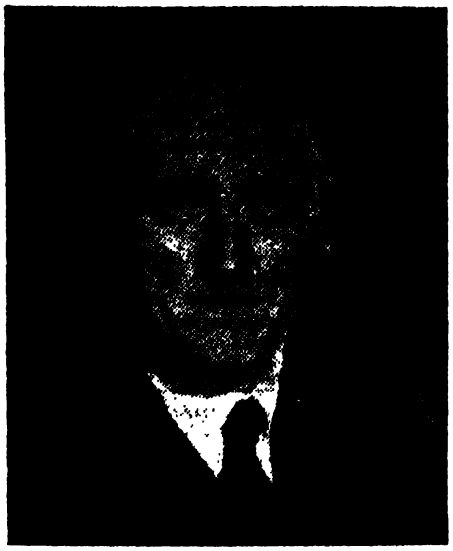
From the Statement to be presented by the Chairman, S. Z. de Ferranti, at the sixtieth Annual General Meeting of Ferranti Limited in London on August 2nd, 1965

FERRANTI *First into the Future.*

ANNUAL REPORT

PORT OF LONDON AUTHORITY

THE PAST YEAR AND PLANS FOR THE FUTURE



The Rt. Hon. Viscount Simon, C.M.G., Chairman

THE PAST YEAR

During the year to March 31, 1965, the Port of London dealt with:

24 million tons of oil
22 million tons of general dry cargo of all descriptions
13 million tons of coal
59

making a total of some 59 million tons.

This was less than the record figure of the previous year (61 million tons) mainly owing to a reduction in oil imports and exports. This is temporary, as it was occasioned by new works at the Mobil Oil Co Refinery, which involved taking some of the existing works out of production.

The handling of bulk cargo, whether oil or coal is easy, provided that the mechanical equipment is equal to the demands put upon it. The real test of a port's general efficiency is its ability to handle a vast variety of mixed general cargo.

So we are glad to be able to report that the enclosed Docks handled over 12 million tons of general dry cargo while the River wharves handled a further 9 million tons of this traffic.

Mr Dudley Perkins, General Manager

The tonnage passing through the Docks is particularly important because it was the Docks which were so seriously criticised for congestion and delays last Autumn and Winter.

We had to meet a lot of criticism We were bedevilled by the introduction of the 40 hour week, and the refusal by most dockers and stevedores in London to do any week-end work at all. We won't now repeat what you have all heard before from us, how we tried, as a matter of organisation, to deal with this problem. Indeed, where the congestion was worst, namely over our quays in the docks we did manage to handle 2.6 million tons of exports, and 2.6 million tons of imports, and this total of 5.2 million tons over the quays is a record. (The balance of 7.7 million tons, making the docks total 12.9 million, consisted of 6.1 million tons of overside cargo and 1.6 million tons handled by the Authorities' tenants over their quays.)

So traffic did flow, whatever the complaints. Not as smoothly as we would have liked but the goods did travel.

The pattern of goods reception into the Docks is changing very rapidly —at any rate in London. Whether we like it or not we must be prepared to meet not only the tremendous switch from rail which has been emerging over the last 20 years or so, but also the switch from barge. More and more goods are coming by road. We, in the Port of London accept this, and are trying to deal with it.

We are building Lorry Marshalling yards. One, at the India and Millwall Docks is already operational. All lorries for a selected group of sheds are directed to the marshalling area. Here there is a central control room which is manned by Traffic Officers from the receiving berths. The control room is in direct telephone communication with the berth and shed for which the lorry is destined. Thus, the lorry-driver knows when his cargo can be received, and lorries are directed in an orderly fashion to their unloading point, instead of waiting in a queue which blocks an operational road.

This organisation has been welcomed by lorry drivers who are spared the long hours of waiting in a queue, can learn when they will be called on to the shed, and in the meantime enjoy a cup of tea. It is also welcomed by the dockers who see that the receiving of goods is being organised in an orderly fashion, and work much faster for that very reason.

This organisation of road traffic has worked so well in the India and Millwall Docks that we are now applying the lessons learnt by this pilot scheme to the Royal Docks and hope to have a similar scheme working there in September of this year.

Nevertheless we have got to face the fact that the effect of the 40 hour week which began at the end of July last year, and the Devlin recommendation on dockers' wages which was put into effect at the end of November last year mean that Dock labour costs are now running at some 12 per cent per annum above last year.

This means that although on our present system of accounting we can manage to show a surplus, yet on the system to which we, and every port will ultimately have to move, we have to acknowledge a deficit of £1.4m. This system is known in port circles as the Rochdale system, simply because his Committee recommend it. It is of course a modern commercial system of accounting.

SIMPLIFICATION OF CHARGES

We have been studying ways by which their schedules of charges containing over 2,000 different commodity classifications, could be simplified. As a result of a year's hard work, a new Export Schedule is being produced, reducing the two thousand classifications to an extremely simple pattern of about a dozen rates. An additional advantage is that the confusing practice of indicating the latest increases by tagging on 'current percentage increases' (C.P.I.) multipliers will be scrapped. Instead, a completely new schedule will be printed whenever charges are increased. Work is proceeding on the more difficult task of simplifying Import Schedules.

PLANS FOR THE FUTURE

Good progress has been made with the first part of the modernisation programme which was initiated in 1962. This concentrated on developing our installations to meet demands while allowing more intensive investigation involving the use of management accounting operational and market research techniques to point the way to future development. The

PORT OF LONDON AUTHORITY

PORT OF LONDON AUTHORITY

MEMBERS
Chairman:
Rt. Hon. Viscount Simon, C.M.G.
Vice-Chairman:
Rt. Hon. Lord Cottesloe, G.B.E., T.D., D.L.
Appointed Members:
Ministry of Defence:
Vice-Admiral Sir Archibald Day, K.B.E., C.B., D.S.O.
Ministry of Transport:
Rt. Hon. Lord Cottesloe, G.B.E., T.D., D.L.
Bertie Fry
London County Council:
Norman Farmer, C.B.E. (Member of the Council)
Peter Shea
E. E. Woods, O.B.E., J.P. (Member of the Council)
Corporation of the City of London:
T. Kingsley Collett, C.B.E. (Member of the Corporation)
Sir John Tait
Corporation of Trinity House:
Captain G. C. H. Noakes, R.D., R.N.R. (Retd.)
Elected Members:
Vessels:
J. S. Bevan
F. B. Bolton, M.C.
Sir Andrew Crichton
W. Comben Longstaff
Geoffrey Milling
H. B. T. Ross, T.D.
H. G. Sorrell, O.B.E.
M. T. Turnbull
Goods:
H. M. Gordon Clark, J.P.
R. P. Fawkner-Corbett
William Frame
Robert Garnham
Sir Ralph Metcalfe
John M. Meyer
Commander S. T. T. Parsons, M.V.O., V.R.D.
A. S. Wingate-Saul
River Craft:
A. Lawrence Williams
Wharfingers:
Sir David H. Burnett, Bart., M.B.E., T.D.
Chief Officers:
Dudley Perkins, General Manager
G. A. Wilson, M.Eng.(Liverpool), M.Inst.C.E., M.I.Mech.E., Chief Engineer
John Lunch, V.R.D., F.C.A., Chief Accountant
A. G. Robinson, Solicitor and Secretary
G. W. Smith, Dock and Traffic Manager
Commander G. V. Parmiter, R.N., River Superintendent and Harbour Master

SALIENT INFORMATION

		Year ended 31st March, 1965
Proportion of U.K.'s Trade passing through Port (by value)	%	31.5
Total Goods Traffic of Port	tons	59,297,503
Shipping using Authority's Wet Docks Net Register	tons	34,484,786
Exports handled by Authority over their quays ...	tons	2,585,773 (record)
Imports handled by Authority over their quays ...	tons	2,575,731†
Total Trading Revenue ...	£'s	26,129,060 (record)
Surplus for Year	£'s	775,098*
Expenditure on Fixed Assets	£'s	6,004,018

* See Supplementary Statement to Accounts: this is estimated to be a deficit of about £1,378,000 when computed according to the accounting principles recommended by the Rochdale Committee, as compared with a deficit of about £980,000 in the year ended 31st March, 1964.
† Post-war record.

programme was essentially flexible and has been continually modified to come into line with the latest commercial needs.

The present dock extension at Tilbury providing two new deep-water berths, and two new Roll-on-Roll-off Berths will be completed early next year, but the P.L.A. have now put up for approval by the Ministry of Transport a plan for seven additional deepwater berths at Tilbury. These can be built by striking north-west of the present dock extension in land already owned by the P.L.A.

We are keenly aware of the Government's plans for a growth in the economy up to 1970 which will mean that the Port of London must be capable of receiving an additional 2.4 million tons of dry cargo. These new berths at Tilbury could be working in 1966/67. We are also planning new riverside berths at Tilbury, and new berths in the Millwall Dock.

We are also investigating the need for new deep-water berths in general, and in the light of recent criticisms, we ask you to look at the figures below which show the potential depth of berths in the docks of the P.L.A. We have not previously dredged to these depths because there has been no demand. The quay walls are sunk to the depths indicated, and we can quite quickly dredge to the depths indicated if there is any requirement to do so from ships which need greater depths in London.

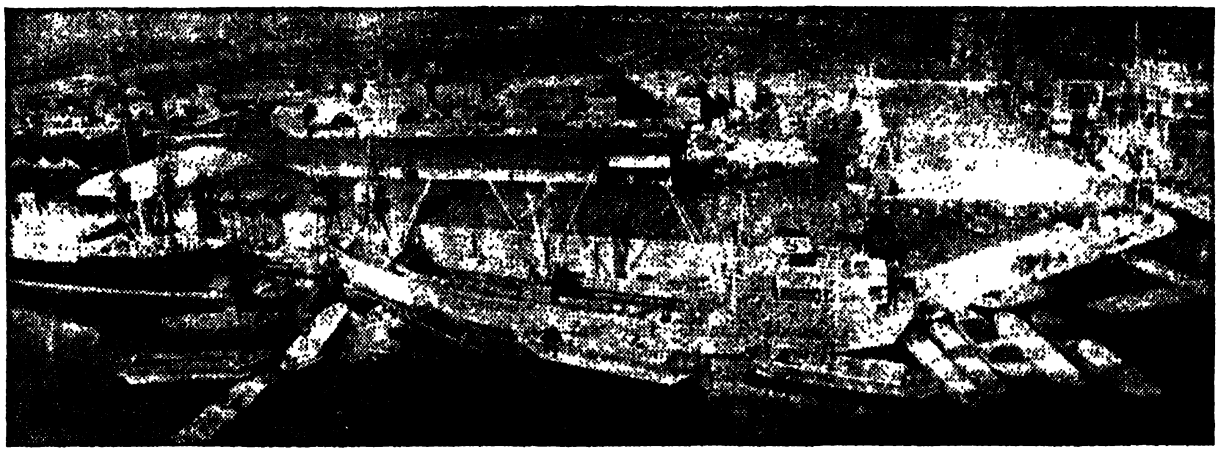
In effect a plan running into the '70's has now been prepared and the expenditure on fixed assets during the first five years up to 1970 is likely to reach £50 million.

In view of recent comments on the availability of deep water berths in the United Kingdom and of certain misunderstandings regarding the position in the London Docks, it is felt that the following table will be of interest.

Depths of berths in the Authority's enclosed docks as limited by their construction or approaches

Depth	Number of berths with this depth: At quay	At 24 ft. from quay (using pontoon)
Under 20 ft.	49	30
20 ft. and under 25 ft.	34	31
25 ft. and under 30 ft.	67	81
30 ft. and under 35 ft.	31	39
35 ft. and under 40 ft.	28	28
40 ft. and over ...	4	4
Total	213	213

Existing demand does not necessitate all berths being dredged to full limiting depth, but such dredging can be carried out at short notice when the shipping demand arises.



MITCHELL CONSTRUCTION HOLDINGS LIMITED

STEADY PROGRESS—INCREASED DIVIDEND

MR D. D. MORRELL, THE CHAIRMAN, REPORTS

The second Annual General Meeting of Mitchell Construction Holdings Limited was held on July 16th at Winchester House, London, EC2. The following is an extract from the Statement of the Chairman, **Mr D. D. Morrell**:

I am pleased to be able to report that during 1964 the Company made steady progress. The net profit before tax and before Loan Stock interest amounts to £508,000 which compares with £476,000 in 1963. I feel it is again desirable to draw attention to the fact that in an industry such as ours, the results cannot be judged by one year's set of accounts alone.

I also remind shareholders in this connection that it is our practice to bring into account profits on contracts only when they have been completed and all outstanding items have been agreed and settled.

The following is a record of our progress calculated on a four year moving average:

Average profits	1957-1960	£202,000
	1958-1961	280,000
	1959-1962	359,000
	1960-1963	401,000
	1961-1964	430,000

Your directors recommend that a final dividend of 11 per cent on the ordinary shares should be paid, which, with the interim dividend of 5 per cent declared earlier in the year, makes a total of 16 per cent for the year as compared with a total of 15 per cent paid in 1963. We believe it will be possible at least to maintain the increased dividend.

GROUP ORGANISATION

The Mitchell Construction Company (Scotland) Ltd. was formed in January of this year. Mr J. A. Sneden has been appointed Chairman of the new Company, and Mr D. Dickson, FFA, and Mr W. Hutton, Solicitor and Notary Public, CBE, MA, LLB, FRSE, have kindly consented to serve with me on a Scottish Advisory Panel.

CONSTRUCTION

During the early part of 1964, considerable engineering problems arose on the main foundation works at Fawley, which we are building for the Southern Project Group of the Central Electricity Generating Board. As these problems threatened to delay completion of the Station, it was decided to set up a joint engineering team, with representatives from the Client, the Consulting Engineer and the Contractor, to resolve the large number of day to day problems on engineering design, methods and programming. As a direct result of this action, over £6 million of work was carried out on the Station in 1964, and the threat to the programme was averted.

I think that the pattern which has been developed at Fawley will be studied with advantage, not only in connection with future power station construction, but also on other major undertakings involving complex civil and mechanical engineering work.

In 1964, Mitchell Construction were awarded a major contract for the new Scotswood Road Bridge and approaches, on the River Tyne, and in association with Dorman Long (Bridge and Engineering) Ltd. the contract is proceeding most satisfactorily. Substantial work has also been carried out on a new cement producing plant for the Associated Portland Cement Manufacturers Ltd. at Weardale in County Durham; this includes a 400 ft. high reinforced concrete chimney, and a similar chimney has been constructed at Westbury in Wiltshire for the same client.

Kinnear Moodie has continued to make satisfactory progress on the reconstruction of Oxford Circus Underground Station, which is one of the major contracts that the Company is carrying out for the London Transport Board in connection with the new Victoria Line.

Other contracts on which your Group was working in 1964, and which covered the whole range of building and civil engineering work, included tunnelling for the National Coal Board at Kirkby-in-Ashfield, Nottinghamshire, work on the superstructure of the new power station at Methil for the South of Scotland Electricity Board, a creamery at Stranraer for the Scottish Milk Marketing Board, hospitals at Peterborough and Kettering, an hotel and multi-storey car park at Bristol, heavy foundations at Grangemouth Refinery, mooring dolphins at Invergordon, a tunnel under the Manchester Ship Canal for the Liverpool Corporation, a service reservoir at Dundee; and a number of Industrial projects for the British Oxygen Company Ltd., the Power-Gas Corporation Ltd., Avo Ltd. of the Metal Industries Group, William Douglas & Sons (Engineering) Ltd., a Baker Perkins Company, the Cosmic Crayon Co. Ltd., and the Ranks Hovis McDougall Group. A number of these contracts fell into the category of our all-in design and build service which has continued to play an important part in our organisation.

Our order book stands at a record level. Major contracts awarded since the beginning of this year have included the preliminary civil engineering work for the new Teesside Industrial Estate, the largest industrial development in North-East England since the war, a Stores Complex at the Royal Naval Base at Faslane for the Ministry of Public Building and Works, and the circulating waterworks at Longannet Power Station for the South of Scotland Electricity Board.

Overseas, the anticipated return to profitability of the Canadian subsidiaries materialised this year, with these companies making a substantial and record contribution to the Group results. At the present moment work is proceeding on a variety of contracts, including schools and hospitals in the Toronto Area, and also on the York University at Toronto. Industrial clients have included Samuel Osborn (Canada) Ltd.; Dow Corning Silicones Ltd.; Signode (Canada) Ltd. and the North York Hydro-Electric Commission. The recent award by the Federal Department of Public Works of a $7½ million contract for a Penal Institution at Warkworth, has provided the Canadian company with its biggest single contract to date.

Work is proceeding satisfactorily on current contracts in Zambia, which include the new International Airport Terminal at Lusaka, and it is hoped that trading in the present year will prove to be satisfactory.

We have entered into a £3½ million contract for the construction of flats in Portugal and work has already commenced on the site, which is between Lisbon and Estoril.

PROPERTY INVESTMENT AND DEVELOPMENT

Work is proceeding on various housing sites in the Peterborough area, and so far sales have been satisfactory. We have also acquired some 53 acres of land scheduled for industrial use in the area.

In Canada, the sale of serviced plots at Sarnia is now well under way. A further 200 acres of development land have been acquired in the same area.

In all, I believe our development work both in this country and abroad to be a balanced and well organised operation.

OTHER ACTIVITIES

There is an increasing demand for high quality concrete products, and consequently during the year we have both extended the range of products and increased and modernised the manufacturing facilities of Kinnear Moodie (Concrete) Ltd.'s Feltham Plant.

Pre-Piling Surveys Ltd. has continued to expand its business, particularly in the bored piling field, and there is every sign that the current year will see a continuation of this trend.

Grouting Services Ltd during the year has undertaken many contracts of varied character, including dam-grouting, tunnel strengthening, clay and chemical treatment in advance of tunnel driving, foundation consolidation, and the sealing of leakages. The Company has also continued to develop the uses of polyurethane rigid foam.

Throughout the year our large fleet of modern plant was extensively employed on Group projects, and in addition, there was an encouraging increase in the volume of external hire.

THE FUTURE

The Construction Industry is subject to so many vicissitudes that forecasting at any time is necessarily hazardous and the position certainly is not made any easier this year, by the almost universal conditions of uncertainty, if not bewilderment, which permeate nearly every level of the economy, and particulary those decision making levels which have so much influence on our future prosperity.

Viewing the picture as a whole, I cannot help but feel that barring the most unforeseen circumstances, the accounts for 1965 will show further progress.

ADDITIONAL INFORMATION FOR SHAREHOLDERS

Your Board has given a great deal of thought to the recommendations of the Council of the London Stock Exchange regarding the provision of additional information and interim reports. Many have already been adopted, and it is your Board's earnest desire to provide the maximum amount of information possible to shareholders, provided this is practicable and is in their interests and in the interests of the Company. In considering these criteria, your Board has in mind that the information should enable the shareholders to form a better picture of the Company and that it should not be misleading.

In any industry where contracts extending over two years and more are common, and settlements are often protracted, the accounting convention of reporting profits every twelve months is an imperfect tool. Other Chairmen besides myself have drawn attention to the desirability of taking a moving average over a number of years, in order to assess a company's performance. Six-monthly reports would only emphasise the misleading nature of short term accounting and would inevitably show wide fluctuations which would not necessarily be representative of the whole year.

Examination of the records of previous years has shown that these misgivings are justified and that due to the factors to which I have already referred, half-yearly reports would in a number of cases have been quite unrepresentative of the results of the year as a whole.

For these reasons your Board, should occasion arise, will approach the Committee of the London Stock Exchange with a request that it might exercise the discretion which it has reserved to itself to modify the terms of its supplemental undertaking so far as the production of half-yearly accounts is concerned.

STAFF

It is a great pleasure to record once again my appreciation of the efforts that have been made on your behalf by the management, staff and operatives of your Group of companies. My colleagues on the Boards of the operating companies know how I value their contribution.

As I, and other directors, visit our sites in this country and abroad, we derive great satisfaction from the strength of the management team that has been built up within the Group. It is made up of people who have an enthusiasm for their job, a determination to overcome difficulties and a pride in being Mitchell Construction Kinnear Moodie men. Their hard work and loyalty makes them good leaders; they train and encourage their subordinates; they are not an exclusive club—new members are constantly joining and finding a welcome. We are grateful to them all.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to: Financial Publicity Department,

THE ECONOMIST,
25 St. James's Street,
London, SW1.

Oy Tampella Ab

TAMPERE, FINLAND

(Textiles, Forestry and Engineering Products)
(Established 1856)

The Annual General Meeting of OY TAMPELLA AB was held in Tampere on April 8th, and the following is an extract of the report presented by the Board:

REVIEW

The market for timber, chemical pulp and board stabilised in 1964 at a slightly higher price level than in the preceding year. But the situation remained unsatisfactory for newsprint because world demand did not keep pace with the growth of production capacity. It was therefore necessary to continue in the year under review the severe production cut applied in 1963 by agreement with the other Scandinavian producers.

Sharply rising pulp wood prices, growing wage costs and unutilised capacity not only at the Anjala newsprint mill but, in the early part of the year, also in the engineering works and to some extent also in the linen mill, narrowed the profit margin and restricted self-financing of the considerable investments carried out in 1964. To finance the long-term delivery credits necessitated by international competition today, the company resorted to considerable loan funds made available by the Bank of Finland and Finnish Export Credit Ltd.

LINEN MILL

The sharp increase in the imports of low-price linen products from countries with which Finland has bilateral trade agreements reduced the result for the year under review. Invoicing decreased by 5 per cent compared with 1963 and totalled Fmk. 15.81m.

Demand for high-quality design products had grown at the expense of staple products and the linen mill would continue to develop the former.

LAPINNIEMI COTTON MILL

Sales of cotton and rayon products rose by 10 per cent from the 1963 figure. Invoicing was Fmk. 13.8m.; exports doubled and accounted for 13 per cent of the total.

The cotton mill consumed 2,187 tons of raw cotton and 447 tons of rayon.

In order to satisfy the increased demand for yarn, the spinning section changed to three-shift working. The increase in production was 30 per cent, and the output of the weaving section was 14 per cent higher than in 1963.

THE ENGINEERING WORKS

The rising trend in orders at the end of 1963 continued in 1964, and there was full employment in the engineering shops from June.

The number of workers at the end of 1964 was 1,847 and the office staff numbered 504. The increase in planning and sales work raised the number of salaried staff by 7 per cent.

Invoicing totalled Fmk. 60.4m.

INGEROIS MILLS

Because of the agreed production cut, the output of the Anjala Paper Mill contracted by 5 per cent to 95,367 tons; of this, 15,133 tons were special Hi-Fi quality and 2,035 tons thin printing paper.

The Board Mill worked at full capacity throughout 1964 and order books were well filled. Production rose to 33,657 tons; 12,423 tons of this total were converted into boxes.

The building of the new board mill progressed according to plan. The sorting and repulping of waste paper was started in the last quarter of 1964.

The output of the Semi-Chemical Pulp Mill was 12,029 tons, of which 4,813 tons were utilised at the board mill and 7,216 tons were sent as pulp to the Heinola Fluting Board Mill.

The Saw Mill produced 6,169 standards of which 3,390 standards (55 per cent) were exported.

The Ingerois mills employed 1,756 workers at the end of the year. Total invoicing was Fmk. 52.01m. against Fmk. 53.68m. the year before.

HEINOLA MILLS

The Fluting Board Mill worked throughout 1964 except for a 10-day shut-down in the summer for machine overhaul. Output was 113,089 tons (96,374 tons in 1963). The production of Tambox corrugated board boxes was 10,253 tons. Workers totalled 533 at the end of the year. Invoicing was Fmk. 39.97m. (Fmk. 31.41m. in 1963.)

FOREST DEPARTMENT

A total of 1,097,432 cu. metres of timber and 1,527,460 cu. ft. of saw logs were logged in 1964.

A total of Fmk. 163,000 was expended on forest improvement work in the Company's own estates.

PROFIT & DIVIDEND

Total net sales were Fmk. 188.20m., compared with Fmk. 190.14m. in 1963.

The total wage bill was Fmk. 51.74m. (Fmk. 40.19m.).

The Company's expenditure on social welfare excluding salaries and wages, was Fmk. 5.81m.

Investments amounted to Fmk. 40.31m.

The total labour force employed by the Company at the end of the year was 5,553, excluding forest workers. The salaried staff totalled 1,153.

Net profit amounted to Fmk. 3,161,088, which together with Fmk. 1,966,340 brought forward from the previous year, produced a total of Fmk. 5,127,428 available for distribution. It was proposed to pay a dividend of Fmk. 11 per share, the equivalent of Fmk. 2,970,000, and to retain the balance of Fmk. 2,157,428. The report, the accounts and the proposals by the Board were adopted.

BOARD OF DIRECTORS

Jarl A. Wasastjerna, *Chairman*; Bertel Appelberg, *Vice-Chairman*; Fredrik Donner; Goran Ehrnrooth; Ake Kihlman, *Chairman of Executive Committee*; Johan Nykopp, *President*.

Consett marks its centenary with record production and trading surplus

All round improvement in efficiency

Blast furnace iron being charged from an overhead crane into one of the 120 ton capacity L.D. converters in the Oxygen Steelmaking Plant

Mr. Roland A. Cookson, O.B.E., acting chairman of Consett Iron Company Limited, in his annual statement to shareholders said: –

Orders for all Consett products have been well maintained during the year under review.

Directors and sales staff have travelled increasingly at home and abroad to expand turnover. We are actively engaged in further developing our special steels. In addition to the export potential of these qualities they are now replacing previously imported steels.

The increasing benefit from the oxygen steel plant has helped us to achieve the all-time record output of the Consett works of 1,051,827 ingot tons of steel. We have also established records in the primary mill which produces slabs for the plate mill and blooms for the billet mill. In turn the plate mill and billet mill themselves established new records of their own.

The commissioning expenses of the oxygen steel plant have been, to date, significantly lower than was anticipated and the steelmaking performance has exceeded our expectations. Very promising outputs have been achieved, the best individual weeks being 5,624 tons on the Kaldo and 15,937 tons on the L.D. While the Kaldo process has its value it is becoming apparent as we gain experience that the L.D. process is the one which is the greatest benefit from the point of view of Consett's own particular steel making problems. –

The cost benefits derived from the new processes are substantial and we now have one of the cheapest steelmaking plants. Further benefits will be derived as the new plant is developed, and it is estimated that in due course an output of over two million tons per annum can be achieved with an additional capital expenditure which would be low in relation to the sums that would be involved on a green field site. We are starting to improve the existing light mill at Jarrow, and are projecting a similar mill at Consett to enable us to further process our semi-finished steel. Furthermore, our longer term plans include additional iron making capacity and continuous casting.

Arising from capital allowances and from our agreed taxation losses of previous years there are substantial sums to be set off against tax assessments on current and future profits. If Corporation Tax becomes law the value to this Company of this relief is considerably less. Furthermore, even though we may, on account of this relief, not become liable to pay Corporation Tax for two or three years, the cost of dividends to the Company will be very nearly doubled.

Although prices of most steel products were increased early this year, the increases permitted by the Iron and Steel Board amount, in a full year, to only a third of the many increases in labour and material costs which have had to be borne by the industry since the last general price increase.

At the time of my statement last year we were conducting negotiations with Dorman Long & Co. Ltd., with the object of forming a joint company to own and develop the Consett Hownsgill plate mill. After a great deal of friendly negotiation, both companies came to the conclusion that a more suitable arrangement would be a commercial agreement whereby Consett would roll certain products for Dorman Long which were particularly appropriate for Hownsgill plate mill, and Dorman Long would roll for Consett certain products more efficiently produced in their Lackenby mill. It is confidently expected that these arrangements will enable each Company to give improved service to customers consequent upon the most efficient plant utilisation. A start has already been made and we are looking forward to building up a steady increase in the volume of products made together possibly with some further widening of their range.

The uncertainty of the future arising from the present political situation is, from the point of view of the industry, highly unsatisfactory. Our two major political parties are now committed – one to nationalise, the other to de-nationalise and the industry is the victim. Surely the time has come when steel should be taken out of politics: it should be possible to devise a scheme that would meet the sincere conviction of those who regard a greater measure of public control as important, but which would at the same time allow the principles of free enterprise, which are so essential as a spur to efficiency, to prevail.

Although business continues to be active and the works very busy, it is by no means certain how long this state of affairs will last. Until now the Government's credit restrictions and increased taxes appear not to have substantially affected the trading experience of industry generally. It seems unlikely, however, that the most recent restrictions imposed on the banks and other lending institutions will not have the effect that similar measures have had in the past, namely, to curtail industry's expansion and development plans. If this happens the result for Consett is bound to be a reduction in our earnings. We are better equipped to face any down turn in trade than we were on the occasion of the last recession.

Directors

Roland A. Cookson, O.B.E.
Acting Chairman
S. C. Pearson
Managing Director
Eric Amos
J. M. Clay
F. B. George B.Sc.
Sir John Hunter, C.B.E., B.Sc.
A. Marshall, M.I.M.E.C.H.E.
Viscount Rochdale, O.B.E., T.D.
Peter Wrightson O.B.E.

Summary of Results

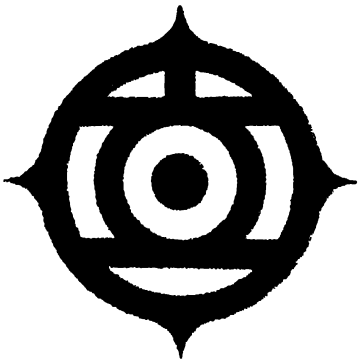
Year ended March	1965	1964
Sales and other income	£36,246,000	£30,695,000
Trading surplus before depreciation	£5,586,000	£2,840,000
Net profit before taxation	£1,982,000	£184,000 (loss)
Unappropriated profit	£2,289,000	£1,452,000
Ordinary dividends	£595,000	Nil

(1965 53 weeks, 1964 52 weeks)

CONSETT IRON COMPANY LIMITED

Annual General Meeting to be held at Consett, 10th August 1965, at 12 noon.

Hitachi Ltd



KABUSHIKI KAISHA HITACHI SEISAKUSHO

The following are extracts from the business report for the six months ended 31st March, 1965:

Despite the easy money policy and the lowering of the Bank of Japan's discount rate, the general economic atmosphere continued to be stagnant, particularly in the latter half of the period. Effective demand declined sharply thus necessitating some reduction in production. The Company, in an effort to minimise the effects of such circumstances, has endeavoured to rationalise and strengthen its management, to reorganise its structure, to develop new techniques and also to maintain and develop domestic and overseas markets.

Dividends have been proposed at the rate of 12% per annum with particular regard to the recent and future economic situation. ¥1,200 millions have been reserved for miscellaneous purposes and ¥4,650 millions carried forward to the next business period to cope with changing circumstances and to assist in the development of the Company's future business.

The number of orders received for electronic and communications equipment has increased substantially. The total quantity of shipments during the period was ¥152,280 millions and the back-log of orders at the end of this period amounted to ¥175,380 millions.

On the domestic front there has been a steady demand for civil engineering equipment, many kinds of electrical household appliances, measuring instruments, electrical components and accessories for motor vehicles.

In addition to a number of major overseas orders still to be fulfilled, the Company has shipped to many countries various kinds of electrical household appliances, electron microscopes, transistors, electron tubes and various types of electrical wires and cables.

We are determined to further the steady and long-term development of the business during this difficult and transitional period, by every means at our disposal.

Statistical highlights from the Company's half-yearly unconsolidated accounts

Thousands of Yen or approximately Pounds sterling

	Half year ended 31st March, 1965	Half year ended 30th Sept. 1964
Sales	151,900,637	153,614,467
Net Earnings	6,516,281	7,418,371
Cash Dividends	4,725,000	5,118,750
Total Assets	456,587,804	447,999,119
Total No. of Shares Issued	1,575 000,000	1,575,000,000

Consolidated Balance Sheet and Profit & Loss Account as audited by Peat, Marwick, Mitchell & Co. for the year ended 31st March, 1965

BALANCE SHEET

Millions of Yen or approximately Thousands of Pounds sterling

Liabilities		
Total current liabilities		342,768
Long-term debt		96,887
Retirement and severance indemnities		16,656
Minority shareholders' interest in consolidated subsidiaries		7,596
Shareholders' equity:		
Common Stock ¥50 par value:		
Issued—1,575,000,000 shares	78,750	
Capital and Revaluation surpluses	16,413	
Legal Reserve	9,047	
Retained earnings both Appropriated and Unappropriated	39,230	
	143,440	
Less cost of 876,033 shares of treasury stock	69	
		143,371
		607,278

Millions of Yen or approximately Thousands of Pounds sterling

Assets		
Total current assets		376,932
Non current receivables and restricted funds		52,874
Investments and advances non-consolidated subsidiaries and others		11,601
Property, plant and equipment	263,139	
Less accumulated depreciation	102,709	
		160,430
Other assets		5,441
		607,278

PROFIT AND LOSS ACCOUNT

Millions of Yen or approximately Thousands of Pounds sterling

	Year ended 31st March 1965	1964
Gross profit	121,996	110,078
Selling, general and administrative expenses	77,214	70,188
Operating profit	44,782	39,890
Other income	5,630	4,546
Other deductions	24,932	19,614
Income before income taxes	25,480	24,822
Provision for income taxes	11,767	10,645
Net income before minority interest	13,713	14,177
Minority interest in net income of consolidated subsidiaries	702	444
Net income	13,011	13,733
Depreciation and amortization	23,077	18,798

Consolidated Financial Statements are available for inspection by the holders of Bearer Depositary Receipts at the offices of N. M. Rothschild & Sons, New Court, St. Swithin's Lane, London, E.C.4.

THE TRUSTEES CORPORATION LIMITED

LORD TANGLEY'S REVIEW

The seventy-seventh Annual General Meeting was held on July 21st at Winchester House, EC2. The Right Honourable Lord Tangley, KBE, LLD, the Chairman, in the course of his speech said:

We have once again established a record. We show an increase of £239,725 in our income from dividends and interest at £1,359,899. Approximately £20,000 of this increase is attributable to the income from the investments made with our US Dollar Loan negotiated in July, 1964. In due course claims in respect of relief from Double Taxation will be submitted and it is estimated that this will produce approximately £12,000. From this it will be observed that we have practically covered our interest charge of £33,052 on the US Dollar Loan.

The additional gross income of previous years arising from Double Taxation Relief shows an increase of £7,362.

Taxation takes £466,025 against £431,802. Net Revenue after Taxation is therefore £773,088 against £604,056, an increase of £169,032. We recommend a Final Dividend of 16 per cent which with the Interim Dividend of 7 per cent absorbs £508,148.

The Book Cost of our investments shows an increase of £840,874 which reflects the investment of the proceeds of our American Dollar Loan. In spite of the harm that could be done by the withdrawal of relief for Double Taxation we still feel that over the longer term this will prove a good investment as it is thought that the economy of North America is likely to grow at a faster rate than that of the United Kingdom. In the short term, however, it may prove to be more expensive than we visualised when negotiating this loan. Once again I am able to report that the market value of our portfolio is a record at £26,773,832. The net asset value of our Shares at the year end was 30s. 5d. and if to this be added the additional amount which would accrue if we had taken into account the premium on the dollar, this figure would be 30s. 11d. This compares with a market price of 25s. 6d. at May 31st, 1965 for your Shares—a discount of 17 per cent—which reflects the prevailing uncertainties introduced by hasty and ill prepared changes in the basis of company taxation.

FINANCE (No. 2) BILL

This piece of legislation is a two pronged attack on the Private Investor. In the first place he is now to be liable to a charge on any capital gains he makes in the future.

In the second place, the Private Investor is going to be further penalised as in future dividends paid to him will still be taxed at the standard rate of tax (now 8s. 3d. in the £), but whereas in the past the tax deducted from the dividend was retained by the paying company, now such tax will be paid over to the Inland Revenue. This is in addition to a Corporation Tax levied on the company's profits at a figure at present unknown, but assumed to be at the rate of 40 per cent.

All this at a time when it is of vital importance to this country's economy that internal expenditure be reduced and savings encouraged. The methods adopted do not seem to favour such saving.

There is before us a period of anxiety and in the circumstances it is difficult to forecast what next year holds for us, but we would hope to be in a position to recommend a dividend similar to that for 1965.

The report and accounts were adopted.

CONCRETE LIMITED

(BISON Structural Precast Concrete)

SUCCESS OF WALL FRAME SYSTEM

Year to 31st March	1965	1964	1963	1962	1961
	£'000	£'000	£'000	£'000	£'000
Completed Contracts ...	11,517	7,759	6,076	5,958	5,184
Group profit before Tax ...	803	654	517	455	402
Taxation...	343	223	238	222	184
Ordinary Dividends (Net) ...	60	50	43	38	34
Profit Retained	393	365	229	188	177
Depreciation	500	367	257	230	199
Expenditure on Fixed Assets	1,035	1,065	511	326	319
Capitalised by Scrip Issue*	204	116	78	69	50

* *A further scrip issue of £339,514 10s. 0d. (one new Ordinary share for every three held at 19th July, 1965) is proposed.*

Extract from the circulated statement of Mr K. M. Wood (Chairman and Joint Managing Director) to be presented at the Annual General Meeting to be held at Hounslow on August 12th, 1965.

Industrialised Housing

The increase in completed contracts is almost half of the total for the previous year and was largely due to the amount of work we are doing in our Wall Frame system for the construction of multi-storey flats. This system is an outstanding success and along with our other complementary systems is now being used in the erection of 100 dwellings a week. It has been extended to include a complete range of Wall Frame components for Low Rise Housing and we are now able to cover all housing requirements.

Trading Profits

Although Profits before taxation rose sharply to £803,000 the percentage profit on the increased turnover dropped by 1.4 per cent to 7 per cent. This fall was entirely due to a loss incurred by the new subsidiary, Concrete Development Company, on contracts totalling £828,000 completed in the period.

This subsidiary was operating at a substantial loss when acquired. The purchase price took into account these losses continuing for some time after acquisition as most of the contracts in hand were at low prices. These contracts were completed in the period under review. The contracts in progress at the year end were, however, at a high level and running satisfactorily. In accordance with our normal practice no profit has been taken on work in progress.

Prospects

The credit squeeze and in particular the financial problems of many local Authorities is causing a slowing down of enquiries and should this continue it will begin to affect our business in six months' time. However, orders received during the last six months exceed work done in the same period and are 13 per cent in excess of the 1964 figures.

Trading results for the first two months of the current year show a satisfactory improvement in profits over comparative figures last year. Though the uncertainty of conditions later in the year makes any forecast of profits of doubtful value, we hope to maintain profits at a satisfactory level. Subject to this it is our intention to maintain next year the 10 per cent Dividend on the ordinary capital increased by the proposed scrip issue of one new share for every three existing ordinary shares.

Your Board for some years has recognised by annual scrip issues that a substantial amount of funds earned for shareholders has been used in expanding the business of the Company. As long as it is possible for us to put shareholders' funds to work as profitably as at present, this would appear to be the correct policy for your Board to follow. However, we have always recognised that when conditions permit dividends to Shareholders should more fully reflect the earning capacity of their Company.

Corporation Tax levied at 35 per cent would have reduced our overall taxation liability by about £65,000 on the basis of this year's figures and dividend. On a 40 per cent Corporation Tax the advantage would be reduced to £40,000. This saving in taxation opens up the possibility of some increase in our dividend. Your Company is not a 'close company' under the terms of the Finance Bill.

Copies of the Statement of Accounts may be obtained from the Secretary, Concrete Limited, Green Lane, Hounslow, Middlesex.

BEST EVER YEAR for ASPRO-NICHOLAS

20% Increase in Trading Profit

At the Annual General Meeting of Aspro-Nicholas Ltd., held at 225 Bath Road, Slough, on 19th July, 1965, the Chairman reported that another record profit had been achieved - the third successive year of increase. The following shortened extracts are taken from the Chairman's Review:

The Group trading profit for the year was £2,093,153 (£1,736,695). The forecast in March of not less than £1,900,000 (after charging debenture interest), compares with our actual profit of £1,978,038. Taxation takes £1,004,482 (£890,567). The net amount appropriated to the Profit Sharing Plan is £81,735.

Consistent with the forecast, the Board has declared a second interim dividend of 10%, making a total for the year of 17½% (15%), or 10.5d per 5s. stock unit; the dividend is covered 2.3 times.

Overall sales increased by 7% on the previous year and are split 44.9% U.K. & Ireland and 55.1% Overseas. Although a fair proportion of our earnings emanate from overseas and consequently are affected by the tax changes under the proposed new Finance Bill, which are unfortunate, we expect our profit will increase at least sufficiently to allow a progressive dividend policy without impairing retentions.

VIGOROUS EXPANSION OVERSEAS

We view the future with confidence and will continue to pursue vigorously the development and expansion of our business overseas. It is my firm belief that this policy serves best the interests of all concerned. The world is, and must continue to be, our market place.

In October last we acquired the whole of the issued share capital of Damancy & Co. Ltd., of Ware, Herts — leading specialists in X-Ray diagnostic barium products.

RECORD CONTINENTAL YEAR

The Continental Companies established new records in both sales and profits and the results achieved for our two leading proprietaries 'ASPRO' and 'RENNIE' have justified the additional concentration placed on these two products. In Germany I am happy to report good results from Scott & Bowne G.m.b.H. The new factory for the French Company at Gaillard in the Haute-Savoie is expected to be fully operational at its new location before the end of September.

OTHER GOOD OVERSEAS RESULTS

Nearly all other overseas Companies showed increased profits. 'ASPRO' continues to develop vigorously in Pakistan and the new chemical plant in Karachi to manufacture acetylsalicylic acid is now on stream. Total exports from U.K. were up on the previous year and exports of our prescription pharmaceuticals also reached a new high.

HOME MARKET PROFIT UP

The total trading profit from operations in the U.K. was an improvement on last year; generally our pharmaceutical sales were very good and noteworthy was the steadily increasing demand for RADOX.

EFFECT OF DRUG IMPORTS

The unnecessary importation, under Section 46 of the Patents Act of £1,500,000 of drugs which are readily available from U.K. sources, is much to be deplored at a time when the balance of payments situation is so critical. The undermining of our Industry's research effort by compulsory licensing under Section 41 of this Act, leads us to support strongly the A.B.P.I. in taking steps to secure elimination of this clause from the Act.

TRADING PROFITS 1957-1965

SUMMARY OF RESULTS

	1965 £	1964 £
TRADING PROFIT	2,093,153	1,736,695
Debenture Interest	115,115	119,736
Profit	1,978,038	1,616,959
Taxation	1,004,482	890,567
Employees' profit sharing plan less tax relief	81,735	57,449
Minority interests	30,640	21,585
ATTRIBUTABLE TO ASPRO-NICHOLAS LTD.	861,181	
Preference and Ordinary dividends	397,927	
Retained	£463,254	£293,352

THE ASPRO-NICHOLAS GROUP makes and markets PHARMACEUTICALS, HOUSEHOLD PRODUCTS, TOILETRIES AND FINE CHEMICALS.

F. H. Lloyd report a record year

Statement by the Chairman Mr. F. N. Lloyd

Steelfounders F. H. Lloyd & Co. Ltd. report a high level of business activity during the last financial year. Accounts for the 53 weeks ending 3rd April, 1965, show a profit before tax of £1,590,973 a record for the Company. Throughout the year all plants except Cardiff Works have worked to capacity, and an increased volume of output has largely accounted for the improved results. A final dividend of 14% is being paid, making a total distribution for the year of 17½% (same), on the capital increased by a one for three bonus issue.

Parent Company

At Wednesbury the new buildings for the heavy foundry and heavy fettling departments are now in occupation, the installation of plant and equipment is proceeding, and both departments will become fully operational during this year.

Progress at Subsidiaries

Lloyds (Burton) Limited have shown a greater relative improvement in results than the other companies in the Group.

Parker Foundry (1929) Limited has also had a successful year. Production problems have been overcome by more extensive use of the Carbon Dioxide moulding process in the foundry and of the carbon electric arc with compressed air in the dressing shop. The oldest parts of the foundry have been re-built, and a new despatch and paint shop has been provided, thus giving additional working area for finishing and inspection.

At the Mechanical & Electrical Engineering Co. (Walsall) Limited there is under construction a factory extension to provide a 40% increase in working area. The company now offers a comprehensive service of renovation of electrical components to local industry. It also undertakes the design and construction of new electrical installations.

The business of F. C. & J. Keay, Ltd. as constructional engineers has been carried on under very competitive conditions. We further improved our facilities, and better results are anticipated.

Indian Contract

On our Indian contract at Chittaranjan difficulties have been experienced because the building and civil engineering work has held up the installation of plant. The Works is now operating at about one-half capacity, and it is expected to come up to full capacity during this year if suitable orders are forthcoming.

Future Prospects

In the current year the level of orders has been maintained, and we hope to achieve a further increase in production. Every effort is being made to stabilise prices notwithstanding continual increases in costs. This task is made more difficult because our castings are subjected to continually higher stresses, pressures and temperatures than heretofore. Competition is keen, but it more usually takes the form of customers demanding better value for money instead of expecting to buy their castings at cut prices. There is little scope for absorbing increased costs out of profit margins.

Future profits will depend on our ability to improve productivity and to realise earnings from capital expenditure in a shorter space of time. In order to maintain our competitive position we have had to incur further capital commitments which will result in a continuance of expenditure at about the same level as that disclosed in this year's accounts.

Key Figures

Turnover	£12,540,000	£9,903,000
Group Profit before tax	£1,590,973	£1,054,919
Net Profit of Group	£837,326	£669,552
Ordinary Dividends (net)	£311,062	£241,172

F. H. LLOYD & CO. LIMITED

LONDON TIN CORPORATION

SIR DOUGLAS WARING ON THE FINANCE BILL

EXTRACTS FROM HIS ANNUAL REVIEW

Our income for the year to March 31st last was £2,812,340 compared with £2,685,908 for the previous year. This time last year I said that dividends from investments in 1964/65 should not be less than in the previous year and in fact they increased by approximately £400,000. On the other hand opportunities for investment trading were limited owing to various uncertainties and profits from this source decreased from £475,346 to £202,900. Net income after taxation was £1,364,340 compared with £1,310,408 in the previous year. The sum of £250,000 has been allocated to General Reserve and dividends of 40 per cent in all, less income tax, have been distributed to shareholders, leaving £50,579 to be added to our carry forward which now stands at £585,344.

THE TIN POSITION

Free World mine production for the calendar year 1964 has been reported by the International Tin Council at 146,900 tons of tin metal. The same source gives Free World consumption for that year as 166,700 tons or a shortfall of 19,800 tons. This is in line with the estimate for 1964 which I quoted in last year's statement.

The out-turn of tin metal by Free World smelters in 1964, however, is reported as approximately 5,000 tons lower than mine production, and on this basis the statistical deficit of tin metal supplies against consumption is indicated as some 25,000 tons.

US stockpile disposals were increased during 1964 to approximately 31,000 tons. After allowing for trade between Free World and Communist countries these sales appear to have been adequate to cover the deficit and to provide for a slight increase in tin metal stocks.

THE UK 1965 FINANCE BILL

The changes in fiscal structure arising out of this controversial mountain of legislation have caused anxiety to all investors and particularly those concerned with overseas interests. The introduction of Corporation Tax and the withdrawal from the operating companies of Overseas Trade Corporation status as from April 6th next are bound to hit us adversely and cause hardship to shareholders.

On December 30th last it fell to me as outgoing President of the British Overseas Mining Association to issue on behalf of the Council of that body a clear warning of the likely effect on overseas mining companies of the proposals which the Chancellor of the Exchequer had announced last autumn, and which are now incorporated in the Finance Bill. Since that date every avenue available has been used to make representations to the Chancellor on the damaging effect of this legislation on overseas investment, which is largely complementary to overseas trading, and the final result has been a measure of marginal relief extending over a period of future years. While helping to soften the blow this does nothing to rectify the disadvantage in the long run in which shareholders who have a stake in overseas interests will be permanently placed. It has been stated that Britain cannot afford to continue overseas investment on the recent scale but I think that the figures quoted by the Chancellor have been far too readily accepted, and certainly do not match up with those prepared by some of us covering a wide cross section of industry in which overseas investment predominates. In the case of the Tin Mining industry it is particularly unfortunate that we should be penalised because, largely through lack of new tin bearing deposits, it has not been possible to expand and new capital expenditure incurred since the last war has been almost entirely met on a self financing basis. Rather than being a drain on the UK balance of payments this Group during this period has been a net earner in excess of 100 million pounds sterling of which the greater part has come to rest in this country and also a large provider of foreign exchange to the sterling area from the proceeds of Tin supplied to world consumers.

FUTURE OUTLOOK

The Tin price has receded during the past month, which can probably be accounted for by a decrease in industrial activity and a seasonal lack of demand. On the other hand so long as the present wide gap between production and consumption exists it is not possible to visualise a market surplus arising except by an inadvertent excess of US stockpile sales which I am sure the authorities would take steps to remedy.

In a world of uncertainties our particular outlook does not call for undue pessimism. Barring unpredictable developments I feel that so far as the operations of the companies in which we are interested are concerned, they will continue to be profitable.

I appreciate that on this occasion more than any other in the past, you will want to know the prospects over the current year, and although the various provisions in the Finance Bill necessitate the use of a crystal ball as well as a slide rule I feel that an indication should be given as to how the results are likely to work out.

The average London price of Tin for the 12 months to March 31st this year was £1,285 per ton against £964 per ton for the previous year. Allowing for the time lag before the effect of this increase is passed on to this Corporation, our gross dividends from investments and interest should be higher than in the past financial year, although the new tax on tin mining companies in Malaya and additional costs in Nigeria will cause a heavier impact than in the past. I cannot attempt to predict the likely extent of our income from investment trading but if the tin share market remains in its present state I think it would be wise to ignore that particular past source of revenue in the current year. Even so we should be able to hold our dividend at the same rate as in 1964/65 and we may possibly be able to improve it a little. Thereafter, unless there is a change in Government fiscal policy in the meantime, the imposition of the Corporation Tax system will begin to bite, though the full effect of the change-over may not be felt for some time, owing to the transitional relief already referred to.

The first interim dividend paid by the Corporation in December of each year has stood at 7½ per cent for the last five years and your Directors propose in the current year to increase this to 10 per cent so as to reduce the disparity between the rates of the first and second interim payments.

This increase in the first payment should not be interpreted as an indication of a similar rate of increase in total dividend payments for the year.

The thirty-ninth Annual General Meeting of London Tin Corporation Limited will be held on July 30th at Winchester House, 77, London Wall, London, EC2.

TESCO

TESCO STORES (HOLDINGS) LTD.

Year Ended	Trading Profit £	Net Profit Before Tax £	Net Profit After Tax £	Net Dividends £	Cash Flow £
25.2.61	1,387,736	1,207,187	606,761	186,606	565,258
24.2.62	1,702,362	1,409,613	723,232	247,254	687,134
23.2.63	2,075,114	1,699,231	853,191	329,672	827,116
29.2.64	3,022,349	2,450,433	1,162,303	494,508	1,181,112
27.2.65	4,303,762	3,575,709	1,648,885	705,098	1,606,295

Points from the Chairman's Address accompanying the Report and Accounts for the Year Ended February 27, 1965.

★ A Record Group Trading Profit of £4,303,762 an increase of £1,281,413 over the previous year.

★ Company should benefit as result of changes in Taxation System.

★ Properties have been revalued and preliminary figures show a surplus in excess of £4,700,000 over Book Value.

★ Programme of New Supermarkets to be opened at the rate of ONE every TEN days.

★ Own brands " **Golden Ring** " and " **Delamare** " recognised by public as symbols of quality and value.

★ Tesco ready, willing and able to support those manufacturers who accept the ending of Resale Price Maintenance.

A full copy of the Annual Report and Accounts is obtainable from the Secretary of the Company at Tesco House, Delamare Road, Cheshunt, Waltham Cross, Herts.

TRUMAN'S BREWERY

Mr M. A. Pryor, Chairman of Truman Hanbury Buxton & Company, Ltd., in his circulated statement says:—

In spite of the fact that there has been an increase in the price of some beers necessitated by additional expenses, and a further increase in all beers brought about by an increase in duty, our results have been substantially maintained in the year ended 31st March, 1965; and this during a year when we have enjoyed no Easter trading, in comparison with a year which included two Easter holidays. In view of this, I feel that your Company has attained results which are reasonably satisfactory.

Your Company, in line with most brewery companies, is faced with very considerable increases in costs. I can see, in the not too distant future, the time when the price structure of many beers may well have to be rationalised, unless costs can be kept down.

In spite of the abolition of Retail Price Maintenance and other setbacks which have occurred subsequently, your Company's sales of wines and spirits have shown a steady growth, although there are indications, since the last Budget increase in April 1965, of a recession in the sales of spirits.

BEERS

The demand for Keg Beer is still increasing, but it is the policy of your Company also to serve draught beers traditionally in wooden casks.

ACCOUNTS

The trading profit for the year at £2,117,500 includes some £65,000 being appreciation in the value of stocks subsequent to the Budget in April 1964.

Net profit of the Group after tax is £928,964. The Directors now recommend a final dividend of 9% making a total of 13% for the year.

FUTURE

I have a sober but firm confidence in the future. Since the end of the year an increase in sales has been experienced.

The Economist

BINDING CASES

Binding cases for The Economist are available from Easibind Ltd. The cases are in stiff, dark blue cloth covers, and are gilt-lettered on the spine; they provide an extremely effective and firm binding and will hold 13 issues of the normal edition together with the quarterly Index, or 26 issues of the air edition with two quarterly Indexes. The year can be stamped on the spine. The cost per case, post free throughout the world, is 14s. Orders, stating requirements clearly and enclosing a remittance, should be sent, **not** *to The Economist, but to—*

EASIBIND LTD.
Eardley House, 4 Uxbridge Street, Kensington, London, W.8. PARk 0686 (3 lines)

SAINT-GOBAIN

The Annual General Meeting of Saint-Gobain S.A. was held in Paris on May 24 under the chairmanship of Monsieur Arnaud de Vogüé. The following extracts are taken from the Report of the Board of Directors for the year ended December 31, 1964.

Turnover. Turnover for the year of plant directly operated by the Company totalled F 1,156m gross, F.1,018m. net, an overall increase of 10.9% as compared with 1963.

Group turnover (including all amounts attributable to companies in which Saint-Gobain effectively holds at least 40% of the capital) amounted to F.7,107m. after tax, as compared with F.5,250m. in 1963.

Glass. As sales of glass in Europe and the United States are largely dependent on Saint-Gobain's two main consumer fields, the building and motor industries, results generally reflect trends in these two sectors. Extensive building programmes were pursued in most of the member countries of the E.E.C., and also in Spain. Car sales increased in the United States and Germany, but were down in France and Italy. Total sales of drawn sheet and cast glass amounted to 92.2 and 27.8 million square metres respectively, representing increases of 12.3% and 12% over the previous year. Whilst American Saint-Gobain's sales continued to rise, inflation and production setbacks affected results for the Brazilian subsidiaries.

Output of polished plate glass was 12.6% higher in 1964. Deliveries of other glass products showed the following percentage increases: toughened glass 9%; glass fibre 20%; insulating materials 12.1%; glassware 10.5%

During the year production capacity was expanded at many of the Company's glassworks, notably at Cognac and Pisa. In addition, important progress was made towards the mechanisation and automation of industrial techniques in the field of sheet glass and glassware.

Refractories, Mechanical Industries. Electro-Réfractaire was working to full capacity throughout the year and recorded a net turnover of F 67m., an increase of 17% as compared with 1963. Turnover of the Group's mechanical industries was maintained at last year's level, totalling F 57.2m.

Chemicals, Paper, Oil, Atomics. Pechiney-Saint-Gobain's turnover of F.1,280m. was 18.5% higher than in 1963 (ratio: industrial chemical products 45%; plastics 30%; agricultural products 25%). Exports also increased particularly to the U.S.S.R.

Net turnover of Cellulose du Pin and its subsidiaries reached F 420m., an increase of 5.6% over the previous year.

Although the tonnage of crude oil refined by the Compagnie de Raffinage Shell Berre increased by 15% in 1964, the continued reduction in retail prices of petroleum products accounts for the fact that turnover was only slightly higher than in 1963. Home sales of Berrogaz and other products manufactured by Produits Chimiques et Raffineries de Berre continued to rise during the year.

Saint-Gobain Techniques Nouvelles (formerly Saint-Gobain Nucléaire) carried out important construction work on behalf of the Commissariat à l'Energie Atomique and Electricité de France. At the same time, progress was made in the field of gas filtration, and a vast project instituted in connection with the preservation, by radio-active means, of foodstuffs and medical and pharmaceutical products.

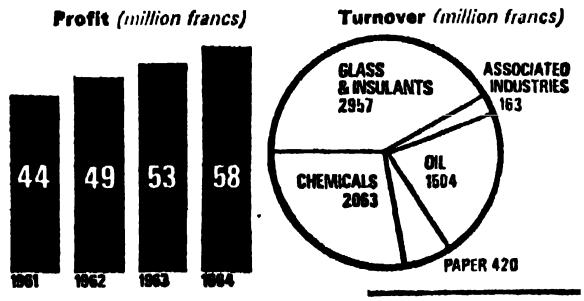
Investment and Research. The Company reduced investment in new and acquired plant, mechanisation and automation to F.125.17m. for the year (as compared with F.183.97m. in 1963).

Net expenditure on research amounted to F.49.5m., including F.5m. for depreciation (as against F.52.2m. in 1963). Pechiney-Saint Gobain and affiliates spent F.71.5m.

Profit and Dividend. Profit for the year amounted to F.57,969,369, as compared with F.52,920,517 in 1963.

The Board recommended payment of a net dividend of F.5.25 per share (as compared with F.5 per share in 1963), which will absorb a total of F.52,186,017.

Copies of the full Report (in English) may be obtained from: Public Relations Department, Saint-Gobain S.A., 62 Boulevard Victor-Hugo, Neuilly-sur-Seine (S. & O.), France.



SO.FI.S.

Palermo, Italy

The Annual General Meeting of SO.FI.S., Societa Finanziaria Siciliana, was held in Palermo recently, **Professor Giuseppe Mirabella** presiding. The Hon. Coniglio, President of the Sicilian Region, and the Hon. Grimaldi, Assessore in charge of economic development, were present on behalf of the regional administration. The companies associated with SO.FI.S. stepped up their activity during 1964, although they operated against a background of slower economic advance in Sicily. The total of industrial assets of the associated companies rose to around Lit 28,000m. during the year under review and provides employment for around 3,000 people, who in turn supplied 5.5m. man hours. This encouraging fact was reflected in the rise in turnover achieved by the associated companies of SO.FI.S. during the year under review, from app. Lit. 9,000m. in 1963 to some Lit 13,000m. in 1964. Moreover, industrial plant worth Lit. 6,150m. is under construction for the companies that are now being established. The average share provided by SO.FI.S of the share capital of the various associated companies amounts to 54 per cent

After referring to the relations between SO.FI.S. and the regional economic bodies, Professor Mirabella outlined the new tasks entrusted to SO.FI.S. by the law on the utilisation of funds based on article 38 of the Constitution of the Sicilian Region, and concluded by hoping for the establishment of further and better relations between the various economic bodies in Sicily and SO.FI.S. in a new spirit of co-operation. He also hoped that the Cassa per il Mezzogiorno, by directly participating in SO.FI.S., would be enabled fully to carry out its institutional functions of promotion and social and economic development. It was through fresh activities by the Cassa per il Mezzogiorno, through a change in the geographical emphasis of the investments carried out by public undertakings and by those with Government holdings, and through the recasting of the measures designed to promote development in the South, that the Sicilian Region would draw fresh strength for a spurt in production to help it achieve its economic and social "take-off."

The President of the Region, the Hon. Francesco Coniglio, intervened to say that SO.FI.S., as an organisation providing finance for development, constituted one of the basic pillars of Sicilian economic life and also represented an instrument of the first importance within the framework of regional economic planning

The support which the associated companies could give was fundamental and should cover both basic and manufacturing industries. They should also consider it opportune to promote integration in the food sector with a view to strengthening the enterprise needed to develop our agriculture.

SO.FI.S. has been obliged in the course of time to assume tasks and risks of considerable importance. The specific task of SO.FI.S. is to give Sicily an industrial apparatus that is modern, competitive and integrated sector by sector.

According to the Hon. Attilio Grimaldi, Assessore for economic development, the Board of Directors had succeeded in defining the losses suffered by SO.FI.S. The loss of Lit. 4,225m., which could be reduced on the assumption of certain favourable developments that were possible, refers not only to the year covered by the balance-sheet but also includes an estimate of the losses of the following year. The losses which have been frankly admitted give an idea of the size of the so-called "SO.FI.S. Problem" On a short-term view a very important part is played in the losses shown by the price which must be paid for the industrialisation of a region which, like Sicily, does not have sufficient experience and industrial maturity.

From now on the regional administration will only intervene with SO.FI.S. to the extent of making the investments required by a medium-term business plan which will provide guidance for the management of individual associated companies and the Group as a whole.

If this goal is to be reached, it will be necessary to consider the possibility of setting up organic industrial groupings.

Such organic groupings are already in existence in the agricultural and engineering sectors (the latter in terms of the hoped for constitution of the Engineering Fund). Similar groupings are in process of development in the prefabricated building industry (prefabricated in the modern sense which means the prefabrication of building components rather than whole buildings), and in the ready-made clothing industry Another important contribution which SO.FI.S will be able to give Sicily is that of creating a genuine and proper body of senior business executives. It is obvious that an appropriate effort must be made to train new executives, recruiting them from among Sicilian youth

The Board of Directors have decided to establish, through an honest re-examination of all the relations between SO.FI.S. and IRFIS—Instituto Regionale per il Finanziamento alle Industrie in Sicilia, Palermo—the conditions for co-operation at the proper time which could result in a new agreement more in keeping with the times and with the problems which will have to be solved.

An examination of the balance-sheet shows in this connection that SO.FI.S. has had to shoulder a heavy burden of advance finance whenever it was anxious to cut down the building time of new plants.

The institutional features of IRFIS and SO.FI.S. are different IRFIS, by the very nature of the banking law which governs its activities, has special duties as far as the guarantees for financing new enterprises are concerned. It is hoped, however, that the inquiries will be speeded up and that the time needed to define and grant the loans will be limited. It is also intended to ask the Minister, Sig. Pastore, to include the Cassa per il Mezzogiorno within the scope of SO.FI.S.'s activities.

Subsequently, SO.FI.S. could also be given a wider scope by enabling it to have access to institutions of the international capital market such as the International Bank for Reconstruction and Development and the European Investment Bank, without at the same time neglecting the prospects offered by the Italian financial market for the provision of development funds for Sicily

COMPAGNIE FRANÇAISE DES PÉTROLES

Paris

FURTHER RISE IN TOTAL GROUP'S SALES IN WORLD MARKETS

GROUP'S POSITION AS LARGE-SCALE PRODUCER OF CRUDE CONFIRMED

The Annual General Meeting of COMPAGNIE FRANÇAISE DES PÉTROLES was held in Paris on June 25th

Sustained Efforts to Raise Output: In 1964 the Company's own supplies of crude reached 30,952,000 tons: Middle East, 80.24 per cent; Algeria-Sahara, 19.34 per cent; Canada, 0.42 per cent. Including the complementary tonnage purchased in Algeria, Group sales in 1964 amounted to 32,378,000 tons of crude, a rise of 9.2 per cent over 1963.

Production prospects seem more favourable today inasmuch as agreements concluded with the producer countries should strengthen stability in the countries which supply crude. In the Middle East the signing, at the end of 1964, of agreements between the companies and certain OPEC countries should provide the countries with a progressive increase in revenue. In Iraq the negotiations under way between the government and the IRAQ PETROLEUM COMPANY (C.F.P. 23.75 per cent) should soon end in an agreement that is constructive for both parties. Equally the negotiations on Algerian oil and gas should be concluded shortly. I.P.C. output in Iraq rose by 8.5 per cent to 61,317,000 tons last year. Output of the fields in other countries in which the Group has an interest developed satisfactorily

Diversification Policy on Sources of Supply: C.F.P continues its prospecting work in various parts of the world, particularly in the North Sea: permits for the British Zone and interests in the German zone have been obtained. In the Netherlands drillings have been undertaken on land where accumulations of gas have been encountered At the present time six countries together supply C.F.P. with some 32m. tons, as against two with 13m. tons eight years ago

Development of Refining and Distribution: The refineries in which the Group has an interest had a throughput of 19.8m. tons of oil in 1964, 14.5 per cent more than in 1963. With a view to improving the supply position of the various subsidiaries, the Group has increased throughput capacity in certain of its refineries, especially in France and Italy New refineries will be put into service during the summer: one in Italy, near Rome (TOTAL Group 20 per cent), the other at Abidjan (TOTAL Group 12.88 per cent). In the UK a refinery is to be built on the East coast, where a site has been acquired on the Humber estuary. Finished products marketed by the Group in 1964 totalled 21.6m. tons. Abroad the volume of products sold through the distribution networks rose by 17 per cent. In Great Britain TOTAL OIL PRODUCTS G.B. increased its sales by 49 per cent.

Financial Results: Investments in 1964 totalled Frs. 336.4m. compared with Frs 266.5m. in 1963. Europe took the larger share of the total, the figure being Frs. 215m Owing particularly to the pressure on prices and the new charges entailed by the agreements with the Middle Eastern governments, net profit at Frs. 179,807,722 did not reflect the same progress as the year before. Nonetheless, and despite the capital increase carried out during the year, the results enable the net dividend of Frs. 7 per old share to be maintained, and make possible the distribution of Frs. 3.50 per share for shares eligible for dividend as from July 1, 1964.

SINGLETON & COLE LTD.

SATISFACTORY OUTCOME OF A DIFFICULT YEAR

The sixty-eighth Annual General Meeting of Singleton & Cole Limited was held on July 20th in Birmingham, **Mr J. C. Singleton** (Chairman and Managing Director) presiding.

The following is an extract from his circulated address:

The Trading Results set out in the Accounts, though they fell short of our expectations are, nevertheless, considered satisfactory, bearing in mind the facts detailed below.

During the year, on the Tobacco side, we have suffered two major price upheavals. Firstly, in April, 1964, with a Duty increase, and, secondly, in August, 1964, with a rise in manufacturers' prices. Though profit margins were increased, demand switched to lower-priced brands, which bear less "pence-per-1000" profit, so we did not benefit to the maximum extent.

Last autumn, following upon the change of Government, a Surcharge of 15 per cent was imposed on Imports. As we are large importers of manufactured Cigarettes and Tobaccos, such a surcharge represented a serious inroad into our profit margin, because we absorbed, and are still absorbing, this extra charge ourselves.

We are very dependent upon Bank accommodation, and the very high rate of Interest (introduced concurrently with the above-mentioned Surcharge on Imports), coupled with the increased value of Tobacco Goods, has resulted in a much larger charge for Bank Interest.

Profits from sales of our Snuff were lower for, in an effort to maintain sales, we did not, after the April, 1964, Budget, alter the selling price of our popular packets. Though this action had the desired result in so far as sales were concerned, resulting profits were thereby somewhat reduced.

We have found it necessary to increase the amount required for Depreciation of our transport fleet owing to the slump in the "second-hand" market, which is the main reason for the heavily increased charge for this item.

Receipts from Rents are less by £4,000 due, mainly, to the vacation of that portion of our Shrewsbury property hitherto occupied by the Post Office.

In the Accounts we do not enjoy the benefit of the "Double Bonus" from the Imperial Tobacco Co. Ltd., which last year amounted to £25,565.

The sum of £8,450, Sales Promotion, which in the past was received from Illingworth's Snuffs Ltd., has disappeared from the Accounts; in place of which we now receive the total profits earned by that wholly-owned Subsidiary. The profits for the year under review constituted a record for that Company.

The figure of £232,090 being the Balance from Trading Accounts is also a record.

Once again South Africa has come forward with an increase in earnings.

Though the amount available for distribution is less by £3,284 the Dividend recommended remains unaltered at 10 per cent.

THE FUTURE

Once again, with a singular lack of imagination, the present Chancellor of the Exchequer has thought fit to heap further burdens on our Trade and to increase the "cost of living" by adding no less a sum than 10s. per lb. to the already exorbitant rate of Tobacco Duty. Such an upheaval as this, coupled with the still unresolved complications of the Finance Act, make it unwise to attempt to predict the future with the slightest degree of certainty, but I have confidence that your future Board have the ability to conduct the Company affairs through the difficult times ahead with energy and success.

The report was adopted.

EDUCATION AND COURSES

THE POLYTECHNIC, REGENT STREET, W.1.

SCHOOL OF MANAGEMENT STUDIES

TRAINING AT POST-GRADUATE LEVEL FOR MANAGERS AND DIRECTORS
DIPLOMA IN MANAGEMENT STUDIES
Full-time, part-time day and evening, and evening only study.
A WIDE RANGE OF COURSES FROM ONE DAY TO SIX WEEKS' DURATION IN ALL ASPECTS OF MANAGEMENT
Enquiries to The Registrar,
The Polytechnic School of Management Studies (Ref. E),
Elsley Court, 20-22 Great Titchfield Street, W.1. LAN 2020

City and County of Newcastle-upon-Tyne
Municipal College of Commerce
The College will offer the following full-time courses in the 1965-66 Session
EXTERNAL DEGREE COURSES OF LONDON UNIVERSITY:
B.Sc. (Economics)
LL.B.
B.A. (General)
DIPLOMA COURSES:
Higher National Diploma in Business Studies (four-year full-time or three-year sandwich)
Ordinary National Diploma in Business Studies.
Higher Award in Business Studies, four-year sandwich. (Proposed course for B.A. (Hons. degree)
PROFESSIONAL COURSES:
Accountants
Cost and Works Accountants
Law Society Parts I and II
Librarians
Municipal Treasurers and Accountants (Block Release Course)
Secretaries
Further particulars may be obtained from the Registrar, College Street, Newcastle upon Tyne 1.
COMPUTER PROGRAMMING.—Train for a well paid post in this expanding field through ICS. For details of new home-study courses (inc. IBM 1401) write ICS (Dept. 424), Parkgate Road, London, S.W.11

Home Study Courses
B.Sc. (Econ.) LL.B.
and other external degrees of the University of London. Also Accountancy, Secretaryship, Law, Costing, Banking, Insurance, Marketing, G.C.E., and many (non-exam.) courses in business subjects including the new Stockbrokers and Stockjobbers course
Write today for details or advice, stating subjects in which interested, to
Metropolitan College
(Dept. G9 21), St. Albans,
or call at 30 Queen Victoria Street, London, E.C.4, City 8844.
(Founded 1910.)

NOTICE

NORANDA MINES LIMITED

DIVIDEND NOTICE

NOTICE is hereby given that a quarterly dividend of forty cents (40c) per share, Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable September 15, 1965 to shareholders of record August 13, 1965.

By Order of the Board.
C. H. WINDELER,
Secretary
Toronto, Ontario
July 8, 1965.

APPOINTMENT WANTED

YOUNG DIRECTOR is looking for other activities in England or abroad to absorb an excess of energy. Has detailed technical knowledge of the building trade backed by wide property experience and with an appetite for responsibility, would prefer some sort of participation. Box 1947.

PERSONAL

SUCH LITTLE THINGS

A child is such a little thing to face the World alone.

A World where Famine, Earthquake, Flood or War can destroy the security of Home and Family, however poor. Whenever disaster strikes it is always the children who suffer most terribly. Our *Destitute Children's Fund* channels your gifts to many Child Welfare Projects overseas.

In Vietnam, many thousands of pitiful, innocent scraps of humanity are wounded, sick, hungry and desolate.

In Algeria, 400,000 orphans must be helped to live with decency and purpose before they turn to crime or delinquency as their only hope of survival.

In Central and Southern Africa prolonged drought has meant almost total crop failure and heavy livestock losses.

In Yugoslavia, disastrous floods have brought another tragic tale of thousands of homeless children.

Child suffering on this scale is no small matter, it calls for enormous compassion.

Such little things can help.

The price of a few sweets or smokes, a hair set, an evening's outing could give milk, medicine, bandages or blankets to a suffering child.

Such a small sacrifice compared to the value of one little shattered life restored.

Please think very hard and send all that you possibly can spare.

Destitute Children's Fund.
WAR ON WANT,
9 Madeley Road, London, W.5.

TASTE-PANEL RESEARCH

Someone fully experienced in Taste Panel organisation is required to set up, develop and administer the Group Marketing Activity's own Taste Panel. He or she will be required to introduce modern methods of food evaluation and taste research and will work with three laboratories and a team of specialists inspired by original thinking and enthusiasm.

The ideal applicant will possess a degree in Economics, Psychology, Statistics and some knowledge of food chemistry.

This new and challenging post offers scope for imagination and initiative. A competitive salary will be negotiated, a Pension Scheme in operation.

The appointment will be based in the Home Counties. Some travelling will be necessary.

Applications, quoting reference No. 40/65, with details of education, qualifications and career, should be addressed to the Personnel Manager (T), Group Personnel Department.

Ranks Hovis McDougall Ltd.,
53, Eastcheap, London, E.C.3

Director General

[illegible]

Ealing Technical College
SCHOOL OF HOTEL KEEPING & CATERING

Lecturer in Economics

[illegible]

For further announcements see pages 397 and 399

Senior Statistician

required to expand the statistical services supplied by the Marketing Division of The Thomson Organisation Ltd. as part of its desk research services to constituent companies.

The selected candidate will ideally be between 26-33 years of age, with an Honours Degree in Statistics, or equivalent, and will already be earning in the region of £1,750.

He will be able to appraise current methods and develop new applications and techniques of statistical analysis, particularly with regard to sales forecasting. He will also advise management on projects covering a wide range of economic statistics, and supervise their implementation by small, highly qualified teams. An understanding of the application of computers to these fields is essential.

This is a senior appointment with good career prospects and carries membership of the Company's pension and life assurance schemes.

Applications containing full details of qualifications, experience and salary record should be addressed to:

The Recruitment & Training Executive,
The Thomson Organisation Ltd.,
Thomson House,
200 Gray's Inn Road,
London, W.C.1.

Kent Education Committee

MEDWAY COLLEGE OF TECHNOLOGY

Department of Management and Business Studies

Applications are invited for the following post, duties to commence from September 1st or as soon after as possible.

SENIOR LECTURER IN MARKETING

The successful candidate will be expected to make a major contribution to a growing range of post-graduate courses, including the Diploma in Management Studies and also to Business Studies courses.

Applicant should possess a university degree and have had industrial experience in Marketing planning activities other than Sales.

Salary in accordance with the Burnham Technical Scale (now under review) £1,895 to £2,115.

Application forms and further particulars from the Principal, Medway College of Technology, Horsted, Maidstone Road, Chatham, Kent.

University of Aberdeen

Department of Politics

Applications are invited for one of [illegible] RESEARCH ASSISTANTSHIPS. Applicants [illegible] degree in social sciences and [illegible] knowledge of statistics.

Salary on scale £700 to £900 (grade [illegible]) or £900 to £1,100 (Grade II), [illegible] superannuation (F.S.S.U.) [illegible] tenure.

[illegible]
The Clerk

[illegible] from August 1st, 1965.

THE DISTILLERS COMPANY LIMITED

Barrister or Solicitor

[illegible] Company, [illegible] for an appointment in the Legal Department at London headquarters. The Company is engaged in a diverse range of activities including the production of Scotch whisky and gin, the manufacture of yeast and other food products, and the large-scale manufacture of chemicals and plastics for industry.

The Legal Department is a small group of [illegible] Solicitors, which advises senior management in regard to all aspects of the Company's industrial and commercial activities at home and overseas. This involves work in most branches of the Law and an understanding of the commercial, financial and practical problems which are met in industry today. The work is challenging and the post carries attractive prospects either in the Legal Department itself or elsewhere in the Company. It calls for ability above the average and the initial salary attached to it will reflect this.

Applications are sought from men (Barristers or Solicitors) with up to three years' experience in practice or in industry. Applicants should be prepared to discuss to travel abroad on the Company's business.

Write quoting Ref. No. 301 L to
Staff Manager
THE DISTILLERS COMPANY LIMITED
21-22 Bolton Street
London W.1

Technical Assistant (Investment and Loans)

Coventry are one of the first local authorities in the equity investment field and pioneers an active investment policy. In addition, considerable capital work programme necessitates the use of all form of borrowing.

To deal with this growing investment and loan work a new post has been created.

The person appointed will be a keen young man with appropriate qualifications, who is able and willing to take a substantial share of the responsibility.

The salary scale is £1,610 to £2,110 and the commencing salary will be fixed in accordance with ability, experience and potential. 100 per cent. advance for house purchase is available.

Application to City Treasurer, Council House, Coventry by July 28th.

COMMONWEALTH ECONOMIC COMMITTEE

Five vacancies for two Economic Assistants, Grade B. Salary in the scale £965-£1,130 according to experience. Contributory (U.S.S.U.) superannuation scheme. Five day week. Preferred qualification good degree in economic subjects.

Applications giving curriculum vitae to Executive Secretary, Commonwealth Economic Committee, Marlborough House, Pall Mall, London, S.W.1.

South of Scotland Electricity Board

Applications are invited from Graduates and Engineers for the post of SECOND ASSISTANT ENGINEER in the General Operation Division of the Chief Engineer's Department at Board Head Office.

This is a new post and the successful candidate will be expected to develop a system whereby live sheet data can be used to assess on a common basis the performance of all the generating stations in the Board's system.

Candidates should possess a degree or diploma in Statistics or Engineering.

Salary Commencing at £1,765 and rising to £2,415 per annum, plus a supplementary payment of £60 p.a.

Applications quoting reference E63/65 should be submitted on the standard form to the Chief Personnel Officer, South of Scotland Electricity Board, Cathcart House, Inverleith Avenue, Glasgow, S.3 not later than August 9, 1965.

BANK OFFICERS
GET OUT OF THE RUT!

Career appointments overseas are available to bankers of 20 to 35 years of age. Applicants up to age 25 should be single men and have completed at least Part I of the Institute of Bankers' Examination. Marriage is not a bar to older men, but they should have completed (or be in process of completing) Part 2 of the Institute Examination. These are career appointments with excellent prospects. The younger age group commences service in West Africa with emoluments normally in the region of £1,300 p.a. Salaries of older men are higher and will be considered at interview.

- ★ Free furnished quarters overseas.
- ★ First-class non-contributory Pension Scheme and retirement at age 55.
- ★ Eighteen-month tours with 108 days' leave between each tour. £100 kit allowance on appointment. Free medical attention overseas (though our health record is excellent). Free travel.

Interviews arranged in London.

Write, giving full particulars, to: The Secretary,

BANK OF WEST AFRICA LIMITED
37 Gracechurch Street, London, E.C.3.

The University of Sheffield

Senior Lecturer in Economic Statistics and Mathematical Economics

Applications are invited for a post of SENIOR LECTURER in ECONOMIC STATISTICS and MATHEMATICAL ECONOMICS tenable from October 1, 1965, or as soon as possible thereafter. Initial salary according to qualifications and experience on the scale £2,550 x £100 £3,050, with F.S.S.U. provision. Further particulars may be obtained from the Registrar, to whom applications (five copies) should be sent by September 1, 1965.

Agricultural Economist

Malaysia

Required to advise the Ministry of Agriculture and Co-operatives on the policies and methods to be adopted to increase and improve the net returns of small producers in rural areas with the view of increasing their purchasing power and to diversify the agricultural economy of the country, and train local counterparts and establish firmly an Agricultural Economics Section.

Candidates should hold a degree in Agricultural Economics with preferably a higher degree qualification. Preference will be given to candidates over the age of 40 who have had wide experience of tropical crops.

Salary £3,250 a year, subject to British income tax, plus a variable, tax free foreign service allowance ranging from £445 to £1,395 a year according to marital status. Contract ... Passages provided. Education allowances. Quarters provided. Medical attention to N.H.S. standard.

Candidates, who should be nationals of U.K. or the Republic of Ireland, should write for further details, giving full name and brief particulars of qualifications and experience, quoting RC 213/106/06 to: Appointments Officer, Room 301, MINISTRY OF OVERSEAS DEVELOPMENT, Eland House, Stag Place, London, S.W.1.

University of Glasgow

Lectureship in Econometrics

Applications are invited for a Lectureship in Econometrics. The present salary scale is £1,400 x £85 to £2,395 per annum ... salary according to experience and qualifications.

Applications (ten copies) should be lodged not later than August ..., 1965, with the undersigned from whom further particulars may be obtained.

ROBT. T. HUTCHISON
Secretary of the University Court

The University of Liverpool

The University of Liverpool has several research projects concerned with increasing the efficiency of the building industry. A further development, financially supported by the Ministry of Public Building and Works, is designed to study the potential demand for building resources in the foreseeable future in the Merseyside area and to relate the demand to the resources available.

An *economist* with experience in industry or research who wishes to extend his knowledge of land use and building industry problems is required to take charge of this investigation. The study is expected to take three years.

The initial salary (lecturer scale) will be within the range £1,400 and £2,165 per annum.

Applications, stating age, qualifications and experience, together with the names of three referees, should be received as soon as possible by the Registrar, from whom further particulars may be obtained.

University of Cambridge

Centre of African Studies

The Centre hopes to appoint shortly two research officers, namely one *agricultural economist* and one *social anthropologist* in connection with a comparative study of African agricultural enterprise to be undertaken in two regions of East Africa, of which the first will be ... Uganda.

The appointments, which could be combined with work for a post-graduate degree, will be made for two years ... £1,050-£1,600 ... plus an expatriate allowance of £150 per annum and travel, baggage and other allowances.

Applications should be made to The Secretary, Centre for African Studies, Sidgwick Avenue, Cambridge, by August 30, 1965.

The London School of Economics and Political Science

Applications are invited from industrial sociologists for appointment to a LECTURESHIP in Industrial Sociology in the department of Industrial Relations from October 1, 1965, or as soon as possible thereafter. The successful candidate will be concerned with the development and teaching of graduate courses and the promotion of research studies. Salary scale £1,400 ... £85 ... £2,165 thereafter subject to review ... £85 ... plus £60 a year London allowance, with superannuation benefits. In assessing the starting salary, consideration will be given to age and experience.

Applications should be received not later than September 3, 1965, by the Assistant Secretary, London School of Economics and Political Science, Houghton Street, London, W.C.2, from whom application forms and further particulars may be obtained.

BBC

requires PROGRAMME ORGANISER for its EASTERN SERVICE in London (British subjects only), responsible to Head of Eastern Service for services broadcasting in Urdu, Bengali and Sinhala. Duties include planning and production of programmes, supervision and co-ordination of duties of programme staff concerned with translation and broadcasting of news bulletins, commentaries and feature programmes. The post calls for qualities of energy, imagination and sound judgment. Essential qualifications: recent first hand experience of life and conditions in Pakistan or Ceylon (or, alternatively, considerable broadcasting experience), definite interest in and knowledge of, international affairs with particular reference to South Asia, wide cultural and general background, sense of news values and proven organising ability. Desirable qualifications, knowledge of Urdu, Bengali or Sinhala most desirable, though not essential, but successful candidate must be willing to study Urdu in order to become reasonably fluent. Ability to write for broadcasting would be advantageous. Preferred age limit: 30 to 45. Salary £1,950 (may be higher if qualifications exceptional) x £115 ... £2,525. Write for application form (enclosing addressed envelope and quoting reference 65 G 463, Eco) to Appointments Department, BBC, London, W.1, within five days.

Economics Graduate

Bank require recent Economic Graduate for small Economics Information Section London. Appointment will be for one year in the first instance. The position should be an excellent introduction to the City and involves a wide range of work relating to economic conditions at home and abroad. Salary £975. Applications in confidence to Box ..., c/o Street, ... Old Broad Street, E.C.2.

Victoria University of Wellington

NEW ZEALAND

Senior Lecturer and Lecturer in Business Administration

Applications are invited for the above-mentioned posts.

It is expected that the two persons appointed will between them be able to offer specialisations in: Marketing and Distribution, the application of Statistical Techniques to Business Problems, but applicants offering other specialisations will be considered. Some experience in business as well as appropriate academic qualifications is essential.

The salary for a Senior Lecturer will be £2,300 per annum rising to £2,800 per annum and for a Lecturer £1,500 rising to £2,000 per annum with a bar. There is no recommendation to £2,200 per annum. The initial salary in each instance will be determined according to the qualifications and experience of the appointee.

Approved fares to Wellington will be allowed for an appointee and his family and a ... removal expenses within prescribed limits.

Further particulars and information as to the method of application may be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in New Zealand and London on ... 1965.

Oxford University

Applications are invited for the post of a Research Assistant to the Professor of Comparative Law. First class legal qualifications, knowledge of French and German essential, research experience desirable. Salary according to age, experience and qualifications, up to £1,320 p.a. plus F.S.S.U. and N.I. contributions. Applications should be sent to the Registrar, University Registry, Oxford.

For further announcements see pages 397 and 398

John Laing and Son Limited

require staff for recently formed Data Processing Department to prepare for the installation of an IBM 360 computer.

There are vacancies for

Systems Analysts and Programmers

to engage on ... Applicants should have ... years' experience in the Data Processing field. Programmers should have a working knowledge of IBM computer systems.

Successful applicants will join newly formed project groups concentrating on implementing ... applications on the computer.

Salaries will be commensurate with qualifications and experience. Conditions of employment include three weeks' holiday and pension scheme.

Please write for application form to the GROUP PERSONNEL MANAGER (PM 103), JOHN LAING AND SON LIMITED, London, N.W.7.

Hertfordshire

Watford Grammar School

Rickmansworth Road, Watford (850 boys, 210 in Sixth)

Required for September, 1965, or January, 1966, a master to teach ECONOMICS AND POLITICS in the Sixth Form.

A suitably qualified candidate ... be appointed as a Head of Department ... a generous allowance, but applications ... invited from those without experience ... those interested in a short-term appointment ... Help with house-purchase and removal allowance ... generally ...

Applicants should write to the Headmaster, giving full details of qualifications and interests, copies of any testimonials and the names of two referees.

SUBSCRIPTIONS TO THE ECONOMIST

Annual Postal Subscription by ordinary mail, UK £6; overseas £6 10s.

By air see below

	Airmail	Air Freight
Australia	£13 10s	—
Canada :—		
Quebec and Ont. Provinces	£12 10s. or Can. $38	£9 15s. or Can. $30
Other Provinces	£12 10s. or Can. $38	£10 10s. or Can. $31.80
Ceylon	£12 10s.	£10 0s.

	Airmail	Air Freight
China	£13 10s.	—
East Africa	£12 10s.	£10 0s.
Egypt	£11 0s.	—
Europe	£10 0s.	—
Ghana	£12 10s.	£9 10s.
Gibraltar, Malta	£7 5s.	—
Hongkong	—	£12 10s.
India	£12 10s.	£10 0s.
Indonesia	£12 10s.	—

	Airmail	Air Freight
Iran and Iraq	£11 0s.	£9 10s.
Israel	£11 0s.	£9 10s.
Japan	£13 10s.	—
Jordan	£11 0s.	—
Lebanon	£11 0s	£9 0s.
Malaya	£12 10s.	—
New Zealand	£13 10s.	—
Nigeria	£12 10s.	£9 10s.
Pakistan	£12 10s.	--

	Airmail	Air Freight
Philippines	£13 10s.	—
Rhodesia	£12 10s.	—
South Africa	£12 10s.	£10 0s.
S. & C America	£12 10s.	—
Sudan	£11 0s.	£9 10s.
U S A	£12 10s. or $35	£10 10s. or $29.50
West Indies	£12 10s.	—

NOTES: Air Freight is normally 24/48 hours slower than airmail. Proportionate Rates are acceptable for subscriptions for less than a year (minimum four weeks). H.M. Forces at official service addresses can enter Airmail Subscriptions in Europe at £7 5s., elsewhere overseas £ ... a year, surface mail rates and airmail rates for Gibraltar and Malta are as shown above.

Company Meeting Report

'INTERUNIE'

N.V. INTERNATIONALE BELEGGINGS UNIE

Summary of the First Interim Report for 1965

In the period December 31st 1964 to June 15th 1965, the issued capital, including the 5% stock dividend paid last April, increased from Fls. 112,750,000 to Fls. 127,130,000. Net assets (investments taken at market) increased from approximately Fls. 441,000,000 to approximately Fls. 443,000,000 and the value per share (adjusted for the 5% stock dividend and including duties etc.) at June 15th was Fls. 183.

The geographical spread of investments is:

Common Market	50.2%	Other countries	1.1%
United Kingdom	3.9%	Cash	5.1%
USA and Canada	39.7%		

A factor in our growth was the offer in April 1965 to holders of the 'Holinda' unit trust certificates to exchange these for 'Interunie' shares. The offer was accepted by practically all the holders.

We have endeavoured to avoid any great changes in geographical distribution of our investments, nor have there been any striking changes in distribution by industries. Somewhat greater prominence was given in our portfolio to the foods industry and to the chemical and pharmaceutical sector.

Income for the period has been up to expectations.

For full information and copies of the Interim Report please write to:
N.V. INTERNATIONALE BELEGGINGS UNIE 'INTERUNIE'
P.O. BOX 617, THE HAGUE, HOLLAND
or to
Hill, Samuel & Co. Limited, 34, Moorgate, London, E.C.2.

fats and oils

Outlook

Are you prepared for the unexpected changes in grains, meals, and fats and oils prices? We have successfully anticipated the major movements in basic commodities. These records have been referred to as outstanding.

You can obtain from us personal, confidential, scientific price forecasts for such major commodities as fats and oils, grains, sugar, cocoa, coffee, animal by-products, hides, paper, metals and some others. You can also obtain forecasts for the United States and foreign economies. For over thirty years corporate and financial executives have made profitable application of these carefully researched reports to evaluate trends and make plans.

Inquiries welcomed. Correspond in any language.

Currently serving a number of the world's largest corporations

32nd YEAR — ECONOMIC CONSULTANTS — WORLD-WIDE SERVICE

INDUSTRIAL COMMODITY CORP.
122 East 42nd Street New York, N.Y. 10017
Cable Address: ECONOGRAM Code: ACME

grains meals

SAVE WITH COMPLETE CONFIDENCE

THE HIGHEST RATE CONSISTANT WITH **SAFETY**

• perfect record of safety • depositors in 107 countries • no Bahama taxes • special confidential accounts • U.S. dollars and sterling accounts.

Dollar deposits earn interest and are repaid in dollars

6% ON SAVINGS ACCOUNTS SAVE BY MAIL!

interest paid quarterly

BAHAMAS SAVINGS
AND LOAN ASSOCIATION, LTD.
P.O. Box 69, Rawson Square, Nassau, Bahamas

☐ Send more information:

Name.....
Address.....
City ..... Country .....
Amount Enclosed ..... EC

In 1873
this silver coin
was minted

In the year the Dai-Ichi Bank was founded. With its history of over 90 years it's easy to see how the Dai-Ichi Bank has earned the reputation of Japan's first bank... first in experience, first in reliability! The Dai-Ichi Bank has grown with Japan and Japanese industry has grown with Dai-Ichi.
Dai-Ichi... a vital part of the vital progress of Japan.

EST. 1873

THE DAI-ICHI BANK, LTD.

HEAD OFFICE: Marunouchi, Chiyoda-ku, Tokyo
CABLES: "FIRSTBANK"
Branch network throughout Japan
NEW YORK AGENCY: 120 Broadway, New York 5, N.Y.
LONDON BRANCH: Winchester House, London Wall, London, E.C. 2.
CHICAGO CORRESPONDENT OFFICE: 38 South Dearborn St., Chicago 3, Ill.
ASSOCIATED BANK: Chekiang First Bank Ltd., Hong Kong

Registered as a Newspaper. Authorised as Second Class Mail, Post Office Dept., Ottawa. Printed in England by St. Clements Press Ltd., London, E.C.4. Published by The Economist Newspaper Ltd. at 25 St. James's Street, London, S.W.1. Telephone: Whitehall 5450. Postage on this issue: UK 10d. Overseas 11d.

STOCK PRICES AND YIELDS

LONDON STOCK EXCHANGE INDICES

1965	THE ECONOMIST-EXTEL INDICATOR (1953=100) Noon	Close	Yield %	FINANCIAL TIMES (1935=100) Ord. Index	Yield %	FT-ACTUARIES INDICES (April 10, 1962=100) 500 Shares	Yield %	2½% Consols Yield	Bargains Marked
July 14	365·1	365·2	5·86	317·8	6·13	100·15	5·93	6·69	8,804
,, 15	365·3	366·6	5·85	319·5	6·10	100·46	5·92	6·67	8,279
,, 16	369·4	369·1	5·81	321·5	6·08	101·09	5·89	6·67	9,233
,, 19	367·4	367·9	5·83	320·0	6·11	100·79	5·91	6·65	9,879
,, 20	368·1	368·2	5·82	320·6	6·10	100·86	5·90	6·65	8,888
,, 21	366·5	366·0	5·86	318·9	6·13	100·44	5·93	6·63	8,378
	High, 405·2 (May 14)			High, 359·1 (May 3)		High, 111·39 (February 18)			
	Low, 361·1 (July 5)			Low, 315·5 (July 5)		Low, 99·17 (July 5)			

BRITISH FUNDS DOMINION AND CORPORATION STOCKS

Prices, 1965 High	Low	Stock		Price, July 14, 1965	Price, July 21, 1965	Net Red Yield, July 21, 1965§ £ s. d.	Gross Red. Yield, July 21, 1965 £ s. d.
99 27/32	97 11/16	Savings Bonds 3%	1955–65	99.15.6	99.16.5	3 6 1	5 12 5l
92 15/16	90⅞	Savings Bonds 2½%	1964–67	92⅝	92 27/32	4 9 9	6 17 0l
84 9/16	82⅞	Savings Bonds 3%	1960–70	84¼	84 9/16	4 10 3	6 18 2l
79 9/16	76¾	British Electric 3%	1968–73	78¼	78⅞	4 8 3	6 14 4l
75	71½	Savings Bonds 3%	1965–75	71½	72*	4 11 9	6 17 6l
73¾	70¼	British Electric 3½%	1976–79	70¾	71⅛	4 8 2	6 14 11l
61¼	56½	British Transport 3%	1978–88	56¾	57 3/16	4 8 8	6 13 10l
92	88¼	Funding 4%	1960–90	91⅛	92	3 8 7	5 4 5l
58⅞	53⅜	British Gas 3%	1990–95	53½	54	4 6 3	6 12 0l
88½	82½	Treasury 5½%	2008–12	83¼	83¾	4 0 9	6 15 11l
55 5/16	51¼	War Loan 3½%	after 1952	51⅜	51¾	3 19 11	6 16 7f
40 3/16	37	Consols 2½%		37⅜	37⅝	3 18 3	6 13 4f
87½	85⅝	Australia 3¼%	1965–69	86¼*	86¼	...	7 1 0l
89¾	87¼	Birmingham 4¼%	1967–70	87¾	87¾	...	7 2 0l
104¼	99½	LCC 6¾%	1974	101⅛	100	...	6 15 0
98¼	94½	Australia 6%	1974–76	95½	95½	..	6 15 0l
102⅛	97⅝	Bristol 6½%	1975–77	97¾	97⅝	..	6 14 6l
98¾	94¾	New Zealand 6%	1976–80	96	96	..	6 12 6l
83	80½	Northern Rhodesia 6%	1978–81	81	81	..	8 1 6p
103⅝	99⅛	LCC 6¾%	1988–90	99⅛	99¾	...	6 15 4l
55½	53½	Southern Rhodesia 4½%	1987–92	54	54*	...	9 0 6l
45¾	43	LCC 3%	after 1920	43	43	..	6 19 0f

ORDINARY STOCKS

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	Ordinary Stocks	Price, Apr. 6, 1965	Price, July 14, 1965	Price, July 21, 1965	Yield, July 21, 1965 %‡	Cover
			BANKS, DISCOUNT & HP					
62/-	53/3	6½ a	Barclays £1	56/-	56/3*	55/6	4·1	...
47/9	39/3	5 a	Lloyds £1	41/6	42/6*	42/6	4·4	..
18/4½	16/-	7½ a	Martins 5/-	17/7½	17/7½	18/-	4·2	..
59/-	50/9	6½ a	Midland £1	51/6	53/6	52/6*	4·6	..
72/3	62/6	8 a	Nat. Provincial £1	66/6	65/3	63/9*	5·0	..
61/9	47/6	6⅔ a	Westminster 'B' £1	54/9	57/9	56/6*	4·6	..
48/-	39/3	8 b	Australia & N. Z. £1	44/6	40/6	40/6	5·9	..
37/3	28/6	6 b	BOLSA £1	33/3	28/9	28/6	6·7	..
£25 5/16	£21 15/16	$2·20c	Bank of Montreal $10	£23 11/16	£22⅛	£22⅜	3·3	..
55/3	43/3	5‡‡a	Bank of New S. Wales £1	48/3	44/3	45/3	3·5	...
39/9	37/-	5½ a	Barclays DCO £1	39/3	38/-	37/9	5·8	..
47/3	41/6	7½ b	Chartered £1	46/6‖	43/3	44/9	6·7	.
£12⅛	£8⅜	6/6b	Hongk'g. & Shang. $25	£9⅛	£8⅝	£8⅝*	5·2	..
30/8¼	24/6	5 a	Nat Com. Bk. Scot. 10/-	27/6	25/3	25/9	4·7	...
£30⅜	£26½	$2·60c	Royal Bk. Canada $10	£28¾	£26¾	£26⅞	3·2	...
60/-	51/9	10 b	Standard Bank £1	57/9	51/9	53/-	6·6	.
29/7½	23/3	16½ b	Hambros 5/-	27/-	23/6	23/6	5·1	..
14/8¼	10/11½	4 a	Hill, Samuel 5/-	12/7½	10/10½	10/7½	4·7	...
31/3	26/6	24 c	Montagu Trust 5/-	31/6	27/-	27/6	4·4	...
59/-	47/-	6 b	Schroders £1	59/-	47/6	47/6	4·0	..
50/-	42/3	6¼ a	Union Discount £1	45/9	43/3	42/3*	5·9	...
11/11½	9/3	4 a	Bowmaker 5/-	10/-	9/4½	9/3	8·1	1·4
18/-	13/-	15 b	Lombard Banking 5/-	16/-	13/9	14/-	7·1	...
15/3	13/9	7½ a	Mercantile Credit 5/-	14/6	14/9	14/4½	7·0	1·7
17/6	15/3	9 a	United Domins. Tst. 5/-	17/3	16/-	15/9	6·3	1·4
			BREWERIES, Etc.					
14/7½	11/9	5 a	Allied Breweries 5/-	12/4½	12/1½	12/4½	5·9	1·5
18/4½	13/7½	4 a	Bass, Mitchells & B. 5/-	15/3	14/1½	14/1½	5·7	1·8
15/1½	12/3	10 b	Charrington United 5/-	13/4½	12/7½	12/6	6·0	1·7
24/6	20/-	7½ b	Distillers 10/-	22/9	20/6	22/7½	5·5	1·8
22/-	18/3	8 a	Guinness 5/-	20/3	18/3	18/3	5·8	1·7
19/-	13/5¼	11½ b	Harveys 5/-	15/3	18/3	17/7½	4·7	1·7
65/6	52/9	8 b	Scottish & Newc Brew. £1	60/6	53/6	52/9	5·3	1·9
17/7½	13/4½	4⅔ a	Watney Mann 5/-	14/9	13/9	14/-	5·7	1·9
16/7½	13/3	9 b	Whitbread 'A' 5/-	14/-	13/6	13/3	7·5	1·8
			BUILDING, PAINT, Etc.					
59/7½	47/9	6½ b	Associated Portland £1	56/6	48/9	49/3	4·1	2·4
27/9	20/9	6½ b	British Plaster Bd 10/-	25/9	22/6*	22/6	4·9	2·0
26/3	19/7½	12 b	Richard Costain 5/-	24/6	20/1½	20/1½	5·0	3·4
10/9	8/-	8½ b	Crittall Hope 5/-	8/7½	8/0¾	8/0¾	7·4	1·9
16/3	12/3	17 b	International Paints 4/-	14/10½	13/3	13/3	7·5	1·7
25/6	19/9	15 b	London Brick 5/-	23/3	19/9	19/9	5·1	2·2
27/3	20/7½	10 b	Rugby Portland 5/-	26/1½	20/10½	20/9	3·6	3·1
			CHEMICAL					
24/6	21/-	16 b	Albright & Wilson 5/-	23/3	21/-	21/1½	5·0	1·8
19/9	16/10½	11 b	Borax Defd. 5/-	19/4½	17/3	17/3	4·6	2·3
56/-	49/-	5 a	Fisons £1	53/6	49/9	51/3	4·7	1·7
49/1½	42/4½	7½ b	I C I £1	45/3	44/6	44/7½	5·6	1·3
16/3	13/1½	10 b	Monsanto 5/-	13/6	13/4½	13/6	5·1	1·3
			DRAPERY & STORES					
17/7½	14/6	8 b	Boots Pure Drug 5/-	16/-	15/4½	15/4½	3·9	2·3
26/6	19/9	2 a	Montague Burton 10/-	25/6	22/9	23/6	3·4	1·6
38/3	30/4½	6¼ a	Debenhams 10/-	33/3*	31/4½	31/4½	6·9	1·5
37/6¾	32/8¼	21¾ b	Grattan Warehouses 5/-	35/6*	35/6	36/-	4·3	1·7
45/6	38/7½	25 b	GUS 'A' 5/-	43/-	41/7½	42/1½	4·2	2·1
25/3	20/-	18⅓ b	House of Fraser 5/-	23/9	20/10½	20/1½	8·1	1·3
13/4½	10/11½	10 b	Lewis's Invest. Tst 4/-	12/1½	10/4½	10/4½	5·8	1·8
35/6	32/6	20 b	Marks & Spencer 'A' 5/-	34/6	34/9	33/7½	4·3	1·4
30/6	27/-	6 a	United Drapery 5/-	28/3	27/9	27/3	4·8	1·8
23/3	18/1½	5½ a	Woolworth 5/-	19/7½	19/4½	18/3	5·5	1·4
			OIL					
54/9	44/-	†8⅓ b	British Petroleum £1	51/3*	50/6	49/4½	8·0	2·6
51/9	44/3	†8⅓ b	Burmah Oil £1	49/3	45/6	45/6	9·7	1·1
£17 13/16	£14¾	18·3b	Royal Dutch 20 fl	£15⅞	£15 5/16	£15 5/16	3·8	2·1
36/4½	29/1½	†18⅓ b	Shell Transport 5/-	32/10½	30/-	30/1½	8·5	2·0
30/3	22/-	...	Ultramar 10/-	28/4½	23/-	22/6	.	...
			ELECTRICAL & RADIO					
53/3	38/-	8¼ b	AEI £1	46/-	45/6	45/9	5·2	1·5
76/1½	61/7½	10 b	BICC £1	69/7½*	63/9	64/6	(5·0)	2·0
12/7½	9/6¾	4·4 a	Crompton Parkinson 5/-	13/9¾	9/6¾‖	9/9¾	5·0	2·2
75/-	62/-	10 a	Decca 10/-	70/6	63/6	63/6	4·3	1·8
27/9	21/4½	5 a	EMI 10/-	26/9	21/9	21/9	5·7	2·3
18/6	12/-	6½ b	Elliott-Automation 5/-	15/9	12/2¼	12/-	4·4	1·8
55/3	42/3	9 b	English Electric £1	47/7½	45/3	45/-	5·3	1·9
46/9	38/6	3 a	General Electric £1	39/10½	39/9	38/3	4·4	2·7
63/9	44/-	8⅛ b	C. A. Parsons £1	53/9	54/3	54/3	4·6	1·2
132/1½	101/3	10 b	Philips Lamp Works 10 fl	128/6	112/-	110/-	2·9	2·3
38/7½	29/3	7 a	Plessey 10/-	34/4½	30/4½	30/7½	3·9	2·5
18/7½	12/6	20 c	Pye (Cambridge) 5/-	16/-	13/-	14/2¼	7·0	2·0
42/3	34/9	20 a	Radio Rentals 5/-	40/7½	35/3	34/9	5·8	2·1
61/3	44/-	7½ b	A. Reyrolle £1	50/-	53/3	52/9	3·8	3·1
76/-	52/3	15 h	Thorn Electrical 5/-	65/6	54/3	55/9	2·7	4·4
			ENGINEERING					
39/9	30/9	5½ b	Babcock & Wilcox £1	34/3	33/6	33/6	6·0	1·4
40/6	33/-	4 a	John Brown £1	37/10½	36/-	36/-	6·1	1·3
9/-	7/-	8 b	Cammell Laird 5/-	8/3¾	7/1½	7/-	8·6	0·4
14/-	11/4½	5 a	Internat. Combust. 5/-	27/3	12/5¼	12/0¾	6·2	1·2
26/3	20/4½	7½ b	Swan Hunter £1	23/6	21/6	22/-	9·1	0·6
8/6¾	6/5¼	5¾ b	John Thompson 5/-	8/3¾	6/8¼	6/6¾	6·7	0·6
35/6	26/4½	†3¾ a	Coventry Gauge 10/-	32/-	27/3	27/3	6·2	1·9
56/6	42/-	†2 a	Alfred Herbert £1	53/1½	48/-	47/9	5·7	1·6
27/6	22/3	12½ a	Acrow (Eng.) 'A' 5/-	26/6	23/-	22/9	(5·1)	1·6
25/6	17/6	17½ b	Allied Ironfounders 5/-	24/3	18/10½	18/10½	6·6	1·8
23/9	19/9¾	17½ b	Averys 5/-	22/6	22/6	24/-	4·7	1·7
24/10½	18/3¾	5 a	BSA 10/-	20/8¼*	21/-	21/6	(5·6)	2·0
12/-	9/6	8 b	George Cohen 5/-	10/-	10/4½	10/11¼	5·5	2·2
15/7½	11/7½	5 a	Davy-Ashmore 5/-	12/10½	12/10½	12/9	4·3	...
56/3	45/9	9 b	Guest, Keen £1	48/-	47/9	47/6	5·9	2·0
19/6	12/6	12 b	Head Wrightson 5/-	19/-	12/6	12/6	6·4	1·3
58/3	50/6	7½ b	Metal Box £1	55/1½	50/6	50/-	5·0	1·7
17/8¼	15/3	6 a	Ransome & Marles 5/-	16/4½	15/6	15/3	5·6	2·1
40/10½	34/1½	5 b	Renold Chains £1	38/9	35/10½	36/1½	5·3	1·9
72/9	58/4½	7½ a	Tube Investments £1	59/-*	58/9	59/3	5·1	1·9
28/3	20/9	7½ b	Vickers £1	23/6	21/7½	21/10½	9·1	0·5
48/6	38/6	9⅙ b	Ward (Thos. W.) £1	42/9	41/1½	40/10½	8·6	1·9
14/9	10/4½	7 a	Wellman Smith Owen 5/-	11/9	11/3	11/3	(6·7)	1·0
18/6	14/3	16 b	Woodall-Duckham 5/-	15/6	16/1½	16/1½	6·5	1·3
			FOOD & TOBACCO					
33/3	28/-	16 a	Allied Suppliers 10/-	28/6	31/9	31/9	5·0	2·1
7/9	7/-	15 b	Assoc. British Foods 1/-	7/7½	7/1½	7/-	4·4	2·0
40/-	32/4½	8 b	Bovril £1	36/3	32/7½	32/10½	7·3	2·2
12/4½	10/6	†2½ a	Brooke Bond 'B' 5/-	11/7½	10/9	10/9	5·9	2·8
8/7½	7/3	7 a	Fitch Lovell 2/6	7/7½	7/6	7/6	(4·7)	2·4
10/7½	8/10½	1⅔ a	International Stores 5/-	9/3	9/10½	9/9	5·1	2·0
59/6	50/6	10 b	J. Lyons 'A' £1	52/-‖	50/6	50/6	5·3	1·6
33/10½	26/6	5½ a	Ranks Hovis 10/-	29/9	26/7½	26/6	6·0	1·9
32/1½	26/6	7 b	Reckitt & Colman 10/-	28/3	27/-	27/-	5·2	2·2
15/9	12/10½	9½ b	Spillers 5/-	15/4½	13/-	12/10½	5·0	2·3
35/3	28/9	2 a	Tate & Lyle £1	31/-	30/3	31/3	6·4	2·0

FOREIGN AND OVERSEAS STOCKS

	July 14 Frcs.	July 21 Frcs.		July 14 %	July 21 %		July 14 %	July 21 %
FRANCE			**GERMANY**			**HOLLAND**		
Air Liquide	565	543	A.E.G.	417½	416¼	A.K.U.	460½	448½
Banque de Paris	293	286·5	Bad'che. Anilin.	443	434	Amster. Rot. Bk.	Fl. 62·7	Fl. 59·7
Citroen	146	140	Bayer	391	385	Bijenkorf	650	672
C. F. Petrole	171	169	Commerzbank	376	380	Heinekens	472	472
Cie G. d'Elect.	474	473·5	Deutsche Bank	413	413	Interunie (Fl. 50)	Fl. 186	Fl. 186
Machines Bull.	90	88·2	Hoechst Farb.	492½	487½	K. N. Hoogoven	498	498
Pechiney	180	179	Kundenkredit	344	344	Kon. Zout-Ket.	890	888
Printemps	195	186·5	Loewenbrau	1,030	1,015	Philips (Fl. 25)	Fl. 127	Fl. 123·3
Rhone-Poulenc	265·5	254	Mannesmann	199½	199¾	Robeco (Fl. 50)	Fl. 218	Fl. 218
S.I.M.	308	301·1	Siemens	480	486	Thomassen & D	511	505
Saint-Gobain	185	190	Thyssen-Huette	182	182½	Valeurop	Fl. 64·0	Fl. 64·2
Usinor	97	91	Volkswagen	508	501	Zwanenbg (F120)	Fl. 178	Fl. 178
Index	*87·0*	*85·5*	*Herstatt Index*	*93·45*	*93·28*	*Index*	*331·5*	*335·5*
High	*101·4*	*(31.3.65)*	*High*	*105·22*	*(8.1.65)*	*High*	*370·9*	*(2.3.65)*
Low	*84·8*	*(20.7.65)*	*Low*	*89·09*	*(29.6.65)*	*Low*	*320·2*	*(29.6.65)*
Dec 31, 1964=100			*Dec. 31, 1959=100.*			*1953=100.*		

	$	$		£A	£A		Yen	Yen
CANADA			**AUSTRALIA**			**JAPAN**		
Abitibi Pr. & P.	11⅞	11⅞	Ampol Pet.	10/2	10/-	Ajinomoto	228	230
Aluminium	28⅛	27½	Ass. Pulp & P.	30/-	30/3	Fuji Iron	56	55
Bell Tel.	57¾	57	Aust. Con. Inds.	58/6	56/3	Hitachi	78	79
Can. Brewer's.	9	9	Aust. Oil & Gas	23/	24/6	Honda Motor	187	190
Can. Imp. Bank	64	64	Brit. Tobacco	33/-	34/-	Kirin Brewery	179	184
Can. Pac. Rly.	59⅛	58½	Broken Hill Pty.	50/3	49/4	Mitsub. Chem.	115	114
Hiram Walker	36⅜	36	G. J. Coles	14/5	14/-	Mitsub. Elect.	52	53
Imperial Oil	50⅝	51	Colonial Sugar	64/-	63/9	Mitsub. Heavy	67	66
Noranda Mines	47⅛	45½	Felt & Textiles	7/9	7/9	Nippon Elect	180	185
Power Corpn.	13⅛	13	I.C.I., A.N.Z.	47/9	46/9	Sony	265	267
Steel of Canada	27	27½	Myer Emporium	31/2	30/9	Toyo Rayon	97	102
Trans. Can. Pipe	34½	34¼	Woolworth	15/10	15/5	Yawata Iron	56	55
Montreal Ind. Index	*154·5*	*152·2*	*Sydney Ind Index*	*315.68*	*314·64*	*Dow Jones Average*	*1033·14*	*1045·69*
High	*174·0*	*(13.5.65)*	*High*	*368·74*	*(5.1.64)*	*High*	*1289·98*	*(12.1.65)*
Low	*152·2*	*(21.7.65)*	*Low*	*301·86*	*(29.6.65)*	*Low*	*1020·49*	*(12.7.65)*
1956=100.			*1937-39=100.*					

* Ex dividend. † Tax free. § The net redemption yields allow for tax at 8s. 3d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Equivalent to 8·0 sterling. (a) Interim dividend. (b) Final dividend (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) Ex all. (h) After Zambian tax. (l) To latest date. (n) Interim since reduced or passed. (p) Resulting from split of Federation of Rhodesia and Nyasaland Stock. Japanese prices supplied by Daiwa Securities, Tokyo. Canadian 65 Stock Industrial Index supplied by the Montreal Stock Exchange. ‡ Yields in brackets are on forecast dividends.

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, July 14, 1965	Price, July 21, 1965	Yield, July 21, 1965 %	Cover
10/10½	8/4½	18 b	Tesco Stores.........1/-	9/10½	10/3	10/6	(3·8)	2·4
13/10½	12/9	9 b	Unigate.............5/-	13/-	12/9	12/7½	5·5	1·7
55/-	44/9	‡10⅚ b	Brit. Amer. Tobac. .10/-	48/-	47/6	50/3	7·3	2·4
26/4½	21/-	14 b	Gallaher 10/-	22/9	23/9	24/3	7·6	2·1
57/3	47/-	7½ a	Imperial Tobacco.....£1	49/3	52/3	53/6	7·5	1·6
			INSURANCE					
6⅛	5¼	65 b	Britannic............5/-	5½	5 15/16	5 15/16	4·6	...
45/3	36/3	25 b	Commercial Union ..5/-	42/3	43/9	44/3	5·1	...
5	4⅛	†40 c	Equity & Law Life ...5/-	4½	4 13/16	4 15/16	3·4	...
49/9	40/3	25 b	General Accident....5/-	49/9	46/3	46/9	4 8	...
34/6	27/3	15 b	Guardian...........5/-	29/9	33/3	33/9	3·9	...
9¾	8¼	50 b	Legal & General.....5/-	9	9	9⅜	2·7	...
122/6	97/6	13 b	Northern & Empl.....£1	121/3	117/6	120/-	4·8	...
49/3	37/-	†110 b	Pearl 5/-	10½	45/3	45/3	4·9	...
33/3	28/3	†47·9b	Prudential 'A'.......1/-	29/6	31/9	32/-	4·2	...
38/3	30/9	20 b	Royal 5/-	36/3*	36/9	38/3	4·6	...
75/9	62/3	11¼ b	Royal Exchange £1	73/3	73/9	74/9	5·0	...
			MOTORS & AIRCRAFT					
15/1½	12/4½	5 a	Birfield 5/-	15/-	12/4½	12/6	4·8	1·9
15/1½	12/10½	7½ a	British Motor 5/-	14/8¼	12/10½	12/10½	7·8	1·7
33/1½	26/-	15 c	Jaguar Cars 'A'......5/-	30/-	26/9	26/-	2·9	6·8
9/2¼	6/4½	4 c	Rootes Motors 'A'....4/-	7/1½	6/6	6/4½	2·5	3·1
58/-	48/-	2½ a	Leyland Motors £1	53/6	49/3	48/3	4·6	2 3
18/-	14/6	8½ b	Bristol Aeroplane...10/-	15/10½	15/-	15/3	8·9	2·0
35/3	27/10½	7 b	Hawker Siddeley £1	29/10½	31/10½	32/1½	7·5	1·7
40/3	31/3¾	7½ b	Rolls-Royce..........£1	35/10½	37/1½	37/-	5·4	1·9
20/4½	15/3¾	†1 95a	Dowty Group......10/-	17/10½	16/3¾	17/-	4·8	2·0
31/6	26/4½	10·8 b	Dunlop Rubber 10/-	29/4½	26/4½	26/4½	6·0	1·8
35/9	30/-	2½ a	Joseph Lucas £1	32/9*	31/-	30/-	5·6	2·4
12/5¼	8/9	13 b	Pressed Steel........5/-	10/11¼	9/3	9/6	9·2	2·0
30/4½	24/3	5⅜ b	Triplex Holdings... 10/-	24/10½	24/6	24/3	(5·2)	...
			PAPER & NEWSPAPERS					
46/6	39/-	20 b	Financial News......5/-	44/9	39/-	39/3	3·2	2 9
67/-	59/-	30 b	Financial Times......5/-	66/9	59/-	59/3	3·2	2·7
18/3	15/7½	14 b	Internat. Publishing ..5/-	15/9	16/6	16/4½	6·1	1·8
31/6	22/9	16 b	News of the World 5/-	27/3	23/3	23/-	6·5	1·7
56/6	48/9	8½ b	W. H. Smith & Son 'A'.£1	53/-	48/9	49/-	5·1	2·0
21/9	17/9	18 b	Thomson Org'n. 5/-	20/3*	18/9	19/1½	7·3	1·4
46/-	38/7½	8¾ b	Bowater Paper.......£1	45/9	41/9	42/4½	6·5	1·8
21/9	17/10½	10 a	British Printing......5/-	19/3	18/4½	17/10½	6·3	1·8
30/-	24/-	17½ c	Bunzl Pulp 5/-	27/9	27/9*	27/9*	3 2	4·5
57/6	47/-	12 b	Reed Paper. £1	50/9	53/9	52/3	6·5	1·5
50/1½	44/3	10 b	Wiggins Teape £1	46/9	44/3	44/3	6·3	1·9
			STEEL					
42/3	25/10½	6 a	Colvilles £1	28/6	32/3	31/11¼	10·0	1·4
29/-	23/4½	4 a	Dorman Long.........£1	25/3	25/11¼*	26/3¾*	10·6	1·2
31/-	19/-	2 a	Lancashire Steel......£1	19/3	22/3	22/9	(n)	0·9
24/-	16/6	4 a	South Durham...... £1	18/-	19/2¼	19/3	12·5	1·3
28/6	17/7½	3⅜ a	Steel Co. of Wales....£1	19/-	24/-	23/8¼	8 4	...
36/3	30/-	5 a	Stewarts & Lloyds £1	32/3	33/1½	32/9¾	10 7	1·6
35/3	27/3	6 a	John Summers £1	30/3	33/1½	32/6	9·8	1·7
36/6	27/-	6 a	United Steel £1	29/3	31/1½	31/-	9 7	1·1
			MISCELLANEOUS					
26/4½	23/-	20 b	Assoc. British Picture 5/-	23/10½	23/9*	23/9*	6 3	2·9
14/11¼	12/10½	12½ b	Assoc. Television 'A' 5/-	14/2¼	14/3¼	14/2¼	7·9	2 0
30/3	27/1½	6½ b	Wm. Baird £1	29/1½	27/6	27/9	6·8	2·4
22/3	19/-	11 b	Beecham Group.....5/-	19/10½	20/3	20/1½	5 0	2·0
19/3	16/9	†16⅔ b	Bookers..........10/-	19/-	17/3	17/9	9·6	2·1
44/-	36/4½	3⅛ a	British Match £1	41/1½	37/1½	38/4½	5·6	1·9
10/3	8/6¾	3 a	British Oxygen......5/-	9/1½	8/6¾	8/9	5·7	1·6
12/9	9/4½	11 b	British Ropes 5/-	11/-	11/6	11/4½	6·2	1·8
11/6	9/4½	37½ b	Butlin's 1/-	10/9	9/10½	9/9	5·6	1·2
31/9	21/1½	10 b	De La Rue.........10/-	27/6	22/9*	21/1½	7·1	1·7
19/-	13/10½	12 c	Drages.............5/-	16/10½	14/10½	14/6	4·1	2·9
25/9	19/6	4 b	Gestetner 'A' 5/-	25/3	20/6	20/6	3·9	2·7

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, July 14, 1965	Price, July 21, 1965	Yield, July 21, 1965 %	Cover
32/9	29/6	6 a	Glaxo..............10/-	31/3*	30/-	29/10½	4 6	2·3
46/9	38/9	3 a	Harrisons & Cr. Defd..£1	42/3*	43/9	43/6	6·9	2·0
48/4½	40/7½	15 a	Hoover 'A' 5/-	45/3	40/7½	41/3	7·3	2·1
102/6	85/6	13·27b	Hudson's Bay £1	92/3	91/9	90/9	4·5	2·4
48/6	32/6	4⅙ a	ICT.................£1	44/3	33/-	32/9	6 9	...
20/3	16/-	12 b	Mecca 'A' 5/-	17/-	17/-	17/-	6·8	1 0
35/-	27/-	12½ c	National Canning £1	29/1½	27/-	27/3	9·2	1 1
21/3	16/-	8 b	Powell Duffryn.....10/-	19/4½	18/6	18/9¾*	5·8	2 1
31/3	21/1½	8 a	Rank Organisation...5/-	24/6	21/10½	22/-	(4·8)	2·6
13/1½	11/7½	9½ b	Schweppes 5/-	12/-	12/9	12/9	5·3	1 6
21/6	18/3	25 c	Sears 'A' 5/-	19/6¾*	19/7½	19/10½	6·3	1·6
18/-	15/2¼	11 2b	Steetley 5/-	20/1½	15/6	15/4½	4 9	2·0
25/4½	21/4½	18½ b	Thomas Tilling 4/-	23/6*	21/7½	21/4½	5·3	1·9
43/7½	35/-	3¾ a	Turner & Newall.....£1	42/-	35/-	35/6¾	6·0	1·7
36/1½	30/4½	15⅚ b	Unilever 5/-	31/9*	31/-	31/-	4·0	3·0
9½	8¼	13·25b	Unilever NV ...... 12 fl.	8 7/16	9	9⅛	2·7	3 0
11/7½	8/3	10 b	United Glass........5/-	11/1½	8/7½	8/9	8·6	0 8
34/7½	25/-	†8¼ a	United Molasses 10/-	33/-	31/6 bid	31/6 bid	(4·8)	...
			MINES					
310/-	238/9	80 a	Anglo-American....10/-	271/3*	293/9	308/9	3·9	1 8
20/9	17/-	...	Charter Cons. 5/-	19/7½	19/3	19/9	...	...
101/3	86/6	11¼ a	Consolid. Gold Fields £1	95/9*	96/6	100/3	6·0	2 2
146/3	130/-	20 b	General Mining £1	136/10½	142/6	143/1½	4 9	2·5
116/3	103/1½	120 b	Union Corporation ..2/6	108/9	113/9	115/-	3·5	3 0
150/7½	121/3	120 b	Free State Geduld ...5/-	128/9*	146/3	149/4½	6 4	1 3
129/4½	101/10½	40 b	W. Driefontein.....10/-	113/9	126/3	128/9	5 8	1·9
84/4½	60/-	6¼ a	Western Deep 'A'....£1	78/1½	82/6	84/4½	3 6	4 9
230/-	198/9	160 b	Western Holdings ...5/-	213/9*	226/3	230/-	6·0	1 2
52/3	38/-	8 17/32 a	Roan Selection Tst. ...£1	40/-	43/9	44/9	9 8h	1 2
13/7½	11/3	7½ c	Tanganyika Cons....10/-	12/3	11/7½	11/3	6·7	1·2
63/6	54/3	40 a	Z. Anglo-Amer.....10/-	57/9*	56/6	57/3	15·7h	1 2
180/7½	142/6	60 a	De Beers Defd. Reg. 5/-	151/1½*	171/10½	178/9	4 2	2 2
$183	$154	$2·75c	Internat. Nickel ...n.p.v.	$167½	$163	$161½	3·1	...
18/10½	14/-	32½ b	London Tin........ 4/-	16/10½	14/-	14/10½	10·8	1 4
29/8¼	24/3	14⅙ b	RTZ..............10/-	28/7½‖	26/6	27/7½	(6 9)	2 0
20/-	11/9	15 a	Tronoh 5/-	18/6	13/3	14/3	(n)	1 0
			SHIPPING					
44/-	20/-	2 a	Anglo Norness.......£1	34/3	21/3	22/6	6 7	4 0
19/9	16/9	8	Brit. & Com'wealth. 10/-	19/-	18/-	19/9	6 1	1 4
17/0¾	13/6	5 c	Cunard £1	15/3¾	13/9	13/6	7 4	...
36/6	29/3	10 c	Furness Withy £1	30/-	31/3	33/-	6 1	...
32/6	24/6	7 b	P & O Defd...........£1	27/4½	25/4½	26/1½	7 7	0 6
			TEXTILES					
12/11¼	9/11¼	9 b	English Sewing Cotton 5/-	10/5¼	10/6¾	10/6¾	7·1	1 8
22/9	18/6	16⅔ b	Courtaulds 5/-	19/-	18/6	18/7½	6·7	1 7
66/3	50/-	6 a	West Riding Worsted £1	54/6	50/-	51/-	7 1	1 7
21/10½	18/4½	2½ a	Woolcombers £1	19/10½	19/10½	18/10½	10 6	1 1
12/11¼	10/2¼	6 a	Calico Printers .. 5/-	10/9¾	11/0¾	11/2¼	(7 2)	2·4
44/9	36/4½	8¾ b	Coats, Patons & B.....£1	40/9	37/6¾	37/9¾	7 1	1 7
15/3¾	10/9	11⅔ c	Viyella Int...........5/-	21/-*	11/4½	11/1½	5 2	2 0
			TRUSTS & PROPERTY					
24/3	20/-	10½ b	Alliance Trust.......5/-	24/3	20/9	21/9	4 8	1 2
54/3	45/7½	37½ b	BET 'A' Defd.........5/-	49/10½	45/10½	46/4½	6 7	1 7
18/6	14/9	6¾ a	Cable & Wireless....5/-	18/6	15/6	15/9	4 3	1 3
17/9	13/5¼	10½ b	Philip Hill 5/-	15/6	13/9	13/9	5 8	1 2
30/-	25/6	15½ b	Industrial & General .5/-	29/9	26/6	27/-	5·0	1 2
29/1½	23/10½	12½ a	City Centre Props. ..5/-	27/7½	25/-	25/-	6·0	1·1
60/6	47/9	10 b	City Lond. Real Prop..£1	53/6	57/6	58/6	5 5	1 1
18/3	15/-	5¾ b	Land Securities.....10/-	15/10½	17/6	18/-	4 3	1 1
28/9	23/7½	10 b	Lond.Cnty.Freehld..10/-	24/9	28/3	28/9	6 4	1·1
			TEA & RUBBER					
49/-	40/6	†22½ b	Cons. Tea & Lands ...£1	49/-	43/6	43/6	19 6	1 5
25/3	15/3	†3 a	Jokai (Assam) £1	20/9	16/-	15/3	13·4	...
3/3¾	2/5¼	12½ a	Highlands & Lowlands 2/-	3/0¾	2/6¾	2/8¼	15·5	1 5
3/9	3/3	25 b	London Asiatic......2/-	3/7½	3/4½	3/4½	17 8	1 7

NEW YORK PRICES AND INDICES

	July 14 $	July 21 $		July 14 $	July 21 $
Atch. Topeka...	32⅛	31⅝	Gen. Electric...	100½	96⅜
Can. Pacific......	54½	54	General Foods..	81⅞	81⅜
Pennsylvania.....	40	38⅝	General Motors.	97¼	94⅛
Union Pacific....	38½	38	Goodyear	50⅞	48¾
Amer. Electric...	43⅝	43⅛	Gulf Oil........	55⅝	54¾
Am. Tel & Tel...	67¼	66¾	Heinz	43	40½
Cons. Edison....	44	43¾	Int. Bus. Mach..	470¼	463
Int. Tel. & Tel....	54	51⅝	Int. Harvester...	36⅞	35⅜
Western Union ..	39⅛	38	Inter. Nickel....	83	80⅛
Alcoa...........	72	71½	Inter. Paper	30½	30⅛
Aluminium	26⅛	25¼	Kennecott......	104	104
Amer. Can	48⅝	49	Litton Inds.	91¼	85¼
Am. Smelting....	51½	51⅛	Monsanto	89⅝	83
Am. Viscose	91¾	90½	Nat. Distillers...	30⅝	30
Anaconda	62⅜	60¼	Pan-American ..	27¾	26⅝
Beth. Steel	35⅝	34¾	Procter Gamble.	74⅞	71⅜
Boeing	73½	72½	Radio Coprn....	34⅜	33⅜
Celanese	81¾	78½	Sears Roebuck..	68¼	66⅜
Chrysler	45⅞	43⅝	Shell Oil	65¾	64
Col. Palmolive ..	33	33⅛	Socony-Mobil ...	88⅞	89⅞
Crown-Zeller ...	52⅝	51½	Stand. Oil Ind..	48⅜	47⅜
Distillers Seag....	33½	32	Stand. Oil N.J...	78⅛	77
Douglas.........	40⅝	40⅛	Union Carbide..	59¾	59⅝
Dow Chemical ..	70⅛	68⅜	U.S. Steel	47¼	46⅜
Du Pont	237½	233	West. Electric...	48¾	47¾
East Kodak	86¾	84¼	Woolworth	28¾	28⅛
Ford Motor	52¾	50¾	Xerox	155¾	145

Standard and Poor's Indices (1941–43 – 10).

1965		425 Industrials	Yield %	Govt. Bonds	Yield %
June	23	89 80	3 02	87·16	4·16
"	30	89·12	3 04	87·16	4·16
July	7	89·65	3·03	87·06	4·17
"	14	90·95	2·98	87·06	4·17
"	21	89·01	3·05	87 06	4·17

425 Industrials—High, 95 79 (May 13). Low, 86 43 (June 28).

Money Market Indicators

Interest rates showed little change over the week, although rates on local authorities' and finance houses' deposits tended to harden. Treasury bill rate was reduced by 1/8 per cent, but the Bank has not forced punitive borrowing on the discount houses. Euro-dollars at seven days' notice fetched ⅛ per cent less. The rate on three months' Euro-sterling fell by ¼ per cent. A weakening of the forward pound raised the cost of forward cover by 3/32 per cent and all covered arbitrage margins moved sharply in New York's favour, despite the fall in Treasury bill rate in New York.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	91-Day Average Rate of Allotment	91-Day Allotted at Max. Rate*	Tender Issue Out-standing
1964	91-Day		s. d.	%	
July 17	230·0	301·0	91 7·01	39	2,990 0
1965					
Mar. 26	180 0	322·6	130 11·68	31	2,330 0
April 9	170 0	320·6	129 10·59	52	2,280·0
" 15	160 0	377·2	128 9·36	24	2 270·0
" 23	160 0	280 8	127 11 97	28	2,260 0
" 30	160·0	373·8	127 6 00	31	2,260 0
May 7	160 0	371·4	126 2·47	41	2,260 0
" 14	160 0	324 3	125 5·69	13	2,260 0
" 21	190 0	431·5	125 6 98	19	2,260 0
" 28	170 0	293 1	127 3 34	61	2,260 0
June 4	170·0	313·1	112 9·31	48	2,250 0
" 11	170·0	330·9	112 0 99	35	2,240 0
" 18	210·0	410 9	111 9 57	34	2,210·0
" 25	170·0	302·4	110 10·02	50	2,240·0
July 2	170·0	402·8	110 0 66	22	2,230 0
" 9	170·0	310·2	111 9 95	30	2,220 0
" 16	170·0	317·1	112 4·63	21	2,230·0

*On July 16th tenders for 91-day bills at £98 11s 10d secured 21 per cent, higher tenders being allotted in full. The offer for this week was for £180 million 91-day bills.

KEY MONEY AND ARBITRAGE RATES

London — **July 21**

	%		%
Bank rate (from 7%, 3/6/65)	6	**Market discount rates** *(3 months')*	
Deposit rates *7 days' notice*		Treasury bills.	5⅝
Clearing banks.......	4	Bank Bills....	5 15/16–6
Discount houses...	4	Fine trade bills	7–7½
Local authorities ..	6⅛	**Euro-dollar deposits:**	
3 months' fixed:		7 days' notice...	4⅛–4⅝
Local authorities ..	6⅜ 6½	3 months'......	4⅝–5⅛
Finance houses....	7-7⅛		
Call money:		**Euro-sterling deposits:** (in Paris):	
Clearing banks' minimum	4⅜	2 days' notice...	5⅞–6⅛
Day-to-day spread..	4⅜–5⅝	3 months'	6⅝–6⅞
US dollar exchange		**Forward rate:**	
Spot rate	2·79–⅛	*(3 months')*....	1½–1⅜ cpm
Forward cover *(3 months')* Annual interest cost..............			1 31/32–2 5/32

New York

Treasury bills:		**Market paper:**	
July 14..........	3·88	Bank bills	4·25
July 21............	3·83	Certs of deposit	4·25

Covered Arbitrage Margins

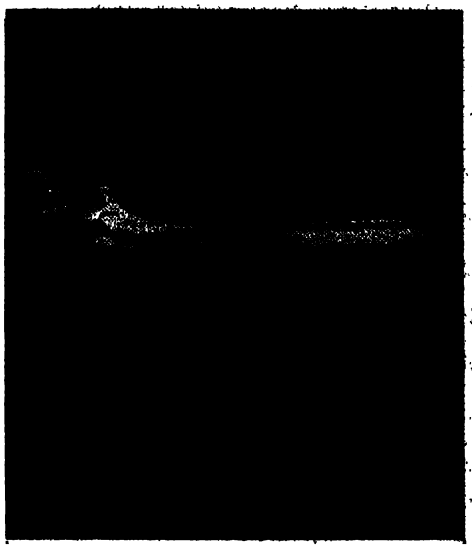
	In favour of: Last week:	In favour of: This week:
Treasury bills..............	N. York 5/32	N. York 11/32
Prime bank bills..	N. York ¼	N. York 11/32
Euro-dollar/UK local authority loans..........	N. York 13/32	N. York ½
Euro-dollars/Euro-sterling	London 1/32	N. York 3/16

These covered arbitrage margins show the differentials in rates on the particular sterling and dollar assets, as adjusted for the cost of forward exchange cover, shown above.

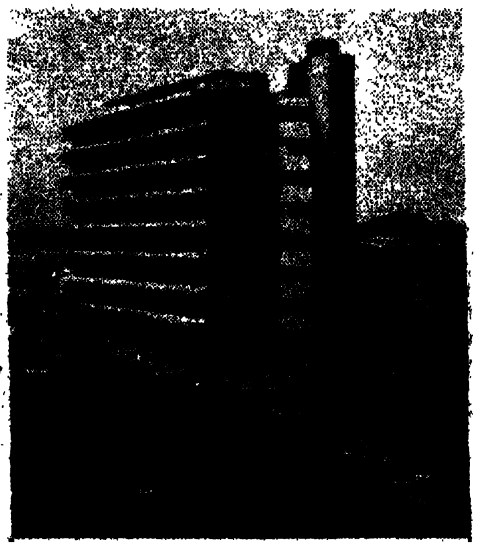
Business in West Africa centres on Accra

And starts on a Ghana Airways VC.10

GHANA AIRWAYS 3-STAR SERVICE FOR BUSINESSMEN VISITING WEST AFRICA



Speed, comfort, convenience



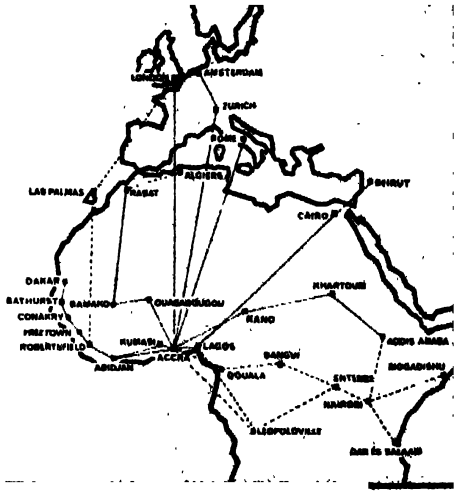
Accra — the business centre of West Africa

Free advice and local information

There are three London-Accra flights every week, two *direct* in only 6¼ hours.
By VC.10 it's a smooth, quiet flight, giving you the chance to relax or to complete preparations for your visit. All are *daylight* flights, too, so that on arrival you have an evening to 'adjust' and a full night's rest before getting down to business the next day.

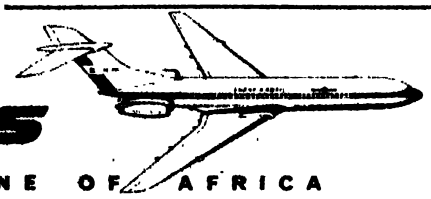
Accra is the ideal springboard for your West African campaign.
Fast Ghana Airways services will take you swiftly, comfortably to all other West African capitals; there are six flights every week to Lagos, for example—just 75 minutes away by Ghana Airways Viscount.

Both *before* you go and *after* you arrive Ghana Airways will gladly give you every assistance they can.
Advice on hotels and restaurants, on local conditions and customs, on transport and health services . . . all the information you need to avoid delays and difficulties, and to make your visit a success.



V.C.10 Super Jet Service				
		Tue. Fri.	Wed.	Sun.
LONDON	Dep.	13.30		09.45
AMSTERDAM	Arr. Dep.		"	10.35 11.25
ZURICH	Arr. Dep.			12.40 14.00
ROME	Dep.		17.15	
ACCRA	Arr.	18.45	21.45	18.45

Get full details of Ghana Airways routes and timetables from your local travel agent, or write direct to:
LONDON: Ghana Airways, 8 New Bond Street, London, W.1 *Telephone: Hyde Park 1791 or Victoria 8121*
AMSTERDAM: K.L.M. Royal Dutch Airlines, 1/3 Leidseplein. *Telephone: 731212*
ZURICH: (Agent) Alitalia, 37 Pelikanstrasse. *Telephone: 273533*
ROME: (Agent) Alitalia, Viale Maresciallo Pilsdski 92, Casella, Postale 255. *Telephone: 8777*
HEAD OFFICE: Ghana Airways Corporation, Ghana House, Accra



Ghana Airways

THE GREAT AIRLINE OF AFRICA

Always at your service

No packaging industry . . . no beans on Johnny's toast

GO BACK to the Mrs. Beeton era and you find that a simple snack like beans in tomato sauce took many hours to prepare. It required half a dozen separate ingredients and was only in season between May and August.

By happy coincidence canned foods began to make real progress about the time that women got the vote. The vote recognised a woman's rights as a thinking citizen. Cans helped to give her time to think.

"But tell me daddy", asks Johnny, "where do cans come from"?

Could you answer that? Do you know that a whole advanced technology—including electronics—exists to produce cans by the billion? That this is only part of a larger complex called the packaging industry?

The leading makers of cans in Britain are Metal Box—also the leading specialists in metal, paper and plastic packaging.

Well over 700 foods are packed in Metal Box cans—hygienically and conveniently. The can is something we take for granted, as we do all forms of packaging . . . or as we do the beans on Johnny's toast.

Metal Box—brief facts

Leading manufacturers of packaging in metal, paper and plastics. A fast growing light engineering and marketing organisation. 38 factories in Britain. 32 overseas.

A research team of over 300 continuously engaged in a wide range of projects involving food technology, physics, chemistry and micro-biology.

A youthful and vigorous industry with tremendous potential for the future.

MB **There's more to METAL BOX than metal boxes**

—they're leaders in metal, paper and plastic packaging

MB310-99B

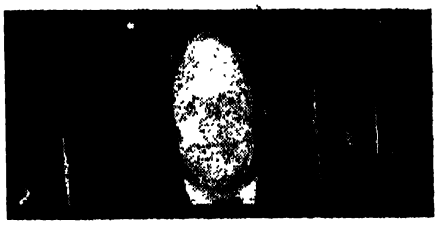
THE ECONOMIST□THIS WEEK

TORY MEASURES
Another deflationary dose from Mr Callaghan, four years almost to the day after Mr Selwyn Lloyd's. The political complications: the financial causes: the economic consequences **page 415** and **page 455.**

EMIGRE PASSIONS AND PLOTS IN GERMANY
The activities of the numerous emigré organisations which have set up home in west Germany are worrying the Bonn government. But at least the NTS (which blazed into publicity last week) has moved its headquarters out of Germany **page 429.**

AMERICA: MATTERS OF STATE—AND WAR
The rumour that President Johnson's Secretary of State, Mr Rusk, is to be removed has been given new life by the revelation that President Kennedy was critical of his running of the State Department. Mr McNamara, the brilliant Secretary of Defence, is often mentioned as Mr Rusk's successor. But his great talents might not function so dazzlingly at the State Department **page 434.** A discussion of Mr McNamara's military doctrines appears on **page 418.** He seems to have succeeded in two of his three main aims; but coping with 'wars of liberation' is proving tougher. Our Washington correspondent describes America's measured steps to win the one in Vietnam **page 434.**

TIME TO PLAN THE PLANNERS
Regional planning need not hang its head under the blow of reduced public expenditure —there is plenty to get on with outside the investment programme which will help the money to be better spent when it is available. The largest job of all is to reorganise the whole structure of local government to match the demands of growth **page 420.**

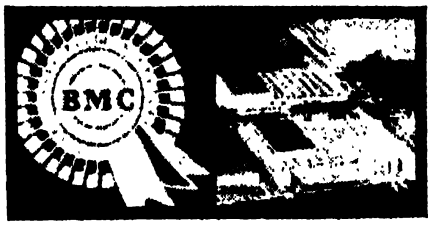


RADICAL HOPES
The Conservatives elected Mr Heath primarily because he was the nearest equivalent to Mr Wilson they could find. He has now to show that they were wrong **page 416.** Life with Ted **page 417.** The mood in the Commons **page 422.** How Not to Show Off **page 441.**

MAKARIOS'S FAST ONE
Greek Cypriots are making the most of the constitutional paralysis that has struck down the usually restraining hand of the Greek government. President Makarios has whipped a piece of legislation through parliament that does away with the special Turkish electoral rights incorporated in the Zurich agreement: Turkish Cypriots are outraged but their eventual reaction has to depend on the line Ankara takes **page 427.**

THE CONCORD CHARADE
The Concord supersonic airliner will not get built; this is the concensus of opinion among the men most closely connected with it. It is time someone said this openly, and also questioned the demand now being made by BOAC that any future British aircraft it buys shall have its price, as well as its development, subsidised by the Government **page 419.**

NEW MODEL TERRIERS
The Government has sensibly devised a new model plan for the reservists who back up the professional regular army It will give a few more teeth, save £20 million, and force a necessary re-organisation of civil defence **page 423.**



MOTORS ALL OVER THE PLACE
The take-over of Pressed Steel by the British Motor Corporation is the first of some major steps in the reorganisation of the production of motors in this country **page 458.**

BUSINESS BRIEF: LABOUR MOBILITY
A great deal of job-leaving and job-taking is going on all the time But in both Europe and America, the wage mechanism appears to play a much more limited role than is widely assumed A new report stresses the many imperfections of labour markets **page 451.**

The Duomo di Milano, Milan—5 minutes from Banca d'America e d'Italia

Man-on-the-spot...in Milan. **Need distributors in Northern Italy? He'll help you find them. Market reports from Malaysia? Check with our man in Kuala Lumpur. From Pasadena to Paris—in California, across the U.S.A., around the world—BANK OF AMERICA can simplify your operations, safeguard your interests. If you need the services of a man-on-the-spot, get in touch with Bank of America—first in banking.**

BANK OF AMERICA NATIONAL [illegible] BANK OF AMERICA INTERNATIONAL—New York • Amsterdam • Bangkok
Beirut • [illegible] • Hong Kong • [illegible] • Kobe • Kuala Lumpur
Lagos • London • [illegible] • Paris • Rio de Janeiro • Rotterdam • Singapore
Sydney • Taipei • Tokyo • [illegible] CORRESPONDENTS WORLD-WIDE

London Branch, 27/29 Walbrook, E.C.4 • West End Branch, 29 Davies St., London

SECOND CLASS POSTAGE FOR *THE ECONOMIST* PAID AT NEW YORK, N.Y.
Published weekly [illegible] London, England

LETTERS

Top Brass

SIR—You ask (July 24th) what sort of outfits are running the British armed services?

The Deputy Secretary of State for Defence and Minister of State for the Army seems to have asked that question too—for on July 13th he gave some facts to the House saying this, or words to this effect:

> After spending several millions on helicopters which were being used in the Middle East and the Far East it was found the engines were not reliable, with consequential operational difficulties to our troops.
>
> We found our troops in Aden had 81 millimetre mortars and, at that time, no 81 millimetre bombs. So our troops had to use 3-in. bombs and were outranged by forces deployed against them.
>
> In the Far East the Navy was compelled to use 12-knot Second World War minesweepers to chase 20-knot (or more) Indonesian boats.

The right question surely is: Why do we put up with this sort of thing?—Yours faithfully, G. B. B. RICHY

Sevenoaks, Kent

Vietnam

SIR—My compliments to the author of the report "Will the Metal Hold? (July 10th). One of the most objective and accurate reports of the attitude in Vietnam that I have read.—Yours faithfully,

Pleiku, Vietnam GEORGE M. DUSTIN

Chemical Engineering

SIR—Your excellent article "Chemical Engineers Unite" (July 24th) shows a great awareness of the present situation. However, there is a reference to our company which states that "Humphreys & Glasgow have shown signs of having had enough and of concentrating its resources on exploiting the boom in plant for the gas industry." It seems to us that there are two interpretations of the words "had enough"—either we have lost interest in work outside the gas industry or in obtaining export contracts. Neither of these is true.

The total value of projects under negotiation by our company at the moment is greater than this time last year and of these more than 50 per cent is for the chemical and petrochemical industries with about the same percentage for export. However, as far as exports are concerned, the difficulties are increasing because the prices and deliveries quoted by British equipment manufacturers on whom we are dependent have risen considerably and are tending to make all offers from this country less competitive in world markets.—Yours faithfully,

G. V. C. DAVIES
Managing Director

London, SW1 Humphreys & Glasgow Ltd.

Report on Canada

SIR—Your excellent survey of July 10th tended to avoid, in its section "The Crisis of Cultures," some of the main themes, although one of these was hinted at in the phrase "English-speaking Canadians."

It is true that there is an Anglo-Saxon traditional element, but much of this is confined to British Columbia, a former Crown Colony which can feel, not without justification, that it entered Confederation on terms as distinctive as those claimed by Quebec. Hence Mr Bennett's "republic." Elsewhere, and notably in the prairie west, the "English-speaking" majority is not all averse to a system of two cultures, and only denies that one culture should be French. In Edmonton, the booming if disorganised capital of oil-rich Alberta, society and local politics are largely dominated by the Ukrainian vote. These people are not unready to work with two languages and cultures: Ukrainian and English.

On the other side of the coin, the constitutionally justified claims of Quebec are not merely representative of conflict with "English-speaking Canadians." They also reflect a natural reaction against United States economic imperialism. This country, partly unconsciously, is a satellite of Washington. In Quebec, where there is a European tradition of political interest and intelligence, it is easy to see the "English-speaking" communities of the west and middle-class Ontario as politically conformist and uneducated, the thin edge of the Washington wedge. "English-speaking Canadians" may deny the claims of Quebec, but the English-speaking republic to the south, with its "wasp" and whig attitudes, can seem a greater threat. A further increase of United States assimilation could spell the end of "La Belle Province." Why should Quebec, in this eventuality, be tied to the corpse of Canadian independence?—Yours faithfully,

W. J. JONES
Edmonton University of Alberta

Trade Unions

SIR—Your article of July 24th "What Incomes Policy, Mr Wilson?" contains one disturbing conclusion. Mentioning the present dispute between British Railways and its employees you make the following statement: "It really will not do to support official trade union organisations simply because they are official." This remark seems to me to strike at the roots of an ordered society.

Within a free and competitive society I feel that there must be some accepted order of conduct. Part of such an order is the constitution of trade unions.

The union should consist of a body freely elected by the members it is to represent. Once having elected their representatives the members must then accept the decisions made on their behalf. If, however, they feel unable to do so then their remedy is in the ballot box when next their union elections occur.—Yours faithfully, J. E. W. BAMFORD

London, SE13

Close Companies

SIR—Your attempt to summarise the Finance Bill on a single page (July 24th) is admirable but a little inaccurate in its treatment of close companies. Your contributor has misread the term "participator," which is defined to mean "any person having a share or interest in the capital or income of the company" and has, therefore, incorrectly stated the conditions under which loan interest is disallowed.

Where the whole of the profits of a company was apportioned between members under the old surtax direction there was no charge to profits tax. There is no similar concession under the new Bill. This means that while the large private company may well be better off, even under the 60 per cent rule the total tax burden on a one-man company earning less than about £15,000 (or a 3-man company earning less than about £50,000) will be higher than the total of income tax and surtax on equivalent individual incomes.

The rules for directors' fees are more generous than the old profits tax rules: it is a matter of opinion whether they are "much more generous." But the penalty for fees in excess of the limits has been raised from the profits tax rate (which was often worth incurring to secure earned income relief) to the corporation tax rate (which is not).

After many amendments, the Bill still provides that interest paid to controlling directors and their associates, and patent royalties paid to any participator, are to be disallowed. Where these are disallowed the payment will effectively suffer *both* corporation tax *and*, in the words of the Labour member for Cheetham, "fall within our very adequately severe and progressive system of tax, for income tax and surtax."—Yours faithfully, J. F. CROWN

London, EC2

EIU Quarterly Economic Review

UNITED KINGDOM

Three months after Mr. Callaghan's controversial budget, this Review makes an assessment of its effect and the likely course of the economy in the rest of 1965. It looks at the latest figures of prices and visible trade, and tries to assess their significance. It also measures the chances of avoiding devaluation and eventually beating the payments problem.

Details and subscription rates

THE ECONOMIST INTELLIGENCE UNIT

Spencer House 27 St. James's Place London SW1
HYDe Park 6711 ext 27

60 East 42nd Street New York NY 10017
Murray Hill 7 0850

This is KAWASAKI in action!

There's a lot of activity going on here big and varied projects carried out with the dispatch and end-product dependability that eighty years of experience in industry gives to an organization. Yes, we're highly organized. 7 top-flight companies joined heads and hands to become the Kawasaki Group. Result: versatility, efficiency, quality. What more could you ask for? (Answer: economy we have that too.)

Main Products: Primary & Secondary Steel Products · Ships · Rolling Stock · Aircraft · Vehicles · Cranes · Electrical Machinery & Apparatus · Marine Machinery · Boilers · Engines · Hydraulic Machinery · Construction Machinery · Industrial Plants & Equipment · Steel Structures · Worldwide Shipping Services

KAWASAKI GROUP

KAWASAKI AIRCRAFT CO., LTD.
KAWASAKI DOCKYARD CO., LTD.
KAWASAKI ELECTRIC & MACHINE CO., LTD
KAWASAKI ELECTRIC MFG. CO., LTD.
"K"LINE—KAWASAKI KISEN KAISHA, LTD
KAWASAKI ROLLING STOCK MFG. CO., LTD.
KAWASAKI STEEL CORPORATION

KAWASAKI GROUP EXECUTIVE BUREAU

The Economist

Guide to Weights and Measures

This Guide was compiled by the Statistical Department of The Economist for use within our own office; it was decided to publish it as a book to serve a wider public. The Guide has now been out of print for some years but requests for copies still come in. It has therefore been decided to revise and extend the Guide and to publish a second and up-to-date edition.

In 96 pages it provides facts and figures on the weights and measures of the world. For the most widely used units, tables of equivalents are given; for units that are used only in certain countries and trades, conversion factors are given.

The Guide, price 17 6d. (U.S. $2.45 post free for cash with order, is obtainable from:

Managing your money

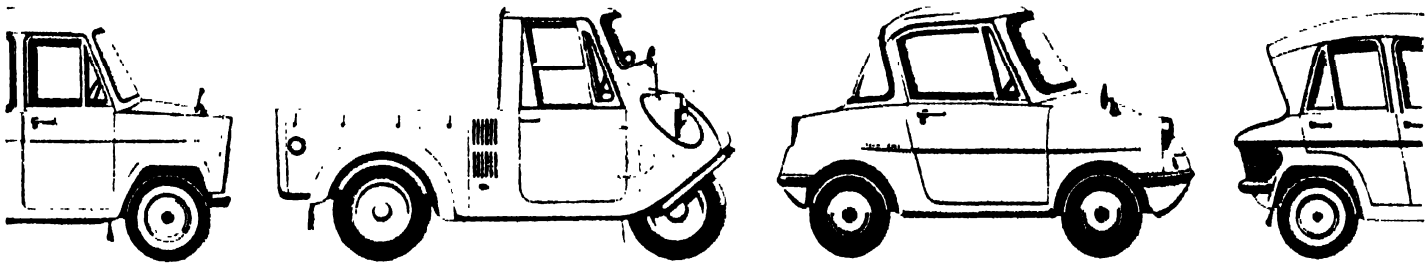
Investment Management is more and more becoming a highly professional pursuit requiring not only an intimate knowledge of this country and its business but also up-to-the-minute knowledge of the world's capital market and international business. Hambros are particularly qualified to give expert advice on the management of the larger private portfolios, company investment programmes, Trustee Funds and Pension Funds. We have been doing exactly that very successfully for over a 100 years. Investments are kept under constant review, our market analysts are continually investigating special situations and advising on new opportunities. Daily contact with bankers and brokers in London, on the Continent and in North America specializing in different markets gives us a firm base for a balanced professional assessment of portfolios.

Write to us for further details. We shall be glad to arrange an appointment with a Director of the Bank to discuss how our professional investment service can help you.

HAMBROS

Merchant Bankers & Investment Advisers

41 BISHOPSGATE, LONDON, E.C.2 — 41 LONDON WALL, E.C.2



Yes, they laughed when we cast our dies

but now that the die is cast.

"People will never buy cars and trucks that look like *that*," they laughed.

"Too strange looking. Too small." They told us.

"Not enough chrome." They told us.

Sane and sensible transportation, we insisted. That's what people want.

So we went ahead and cast our dies and started making our strange looking sane and sensible Mazda cars and trucks.

And the people loved them.

Yes, they loved us in Japan. And pretty soon people started buying Mazdas in Okinawa. And Southeast Asia. And Australia. And South Africa. Until, by last year, nearly a million and a half people had bought Mazdas and we had set a new annual sales record of over £119,640,000.

And now, we're ready to go after the big export market.

We're ready with the most modern production facilities in Japan.

Ready with the most fully computerized vehicle factory in the world.

A Mazda Navy of 68 auto transport ships that docks right at the end of the production line.

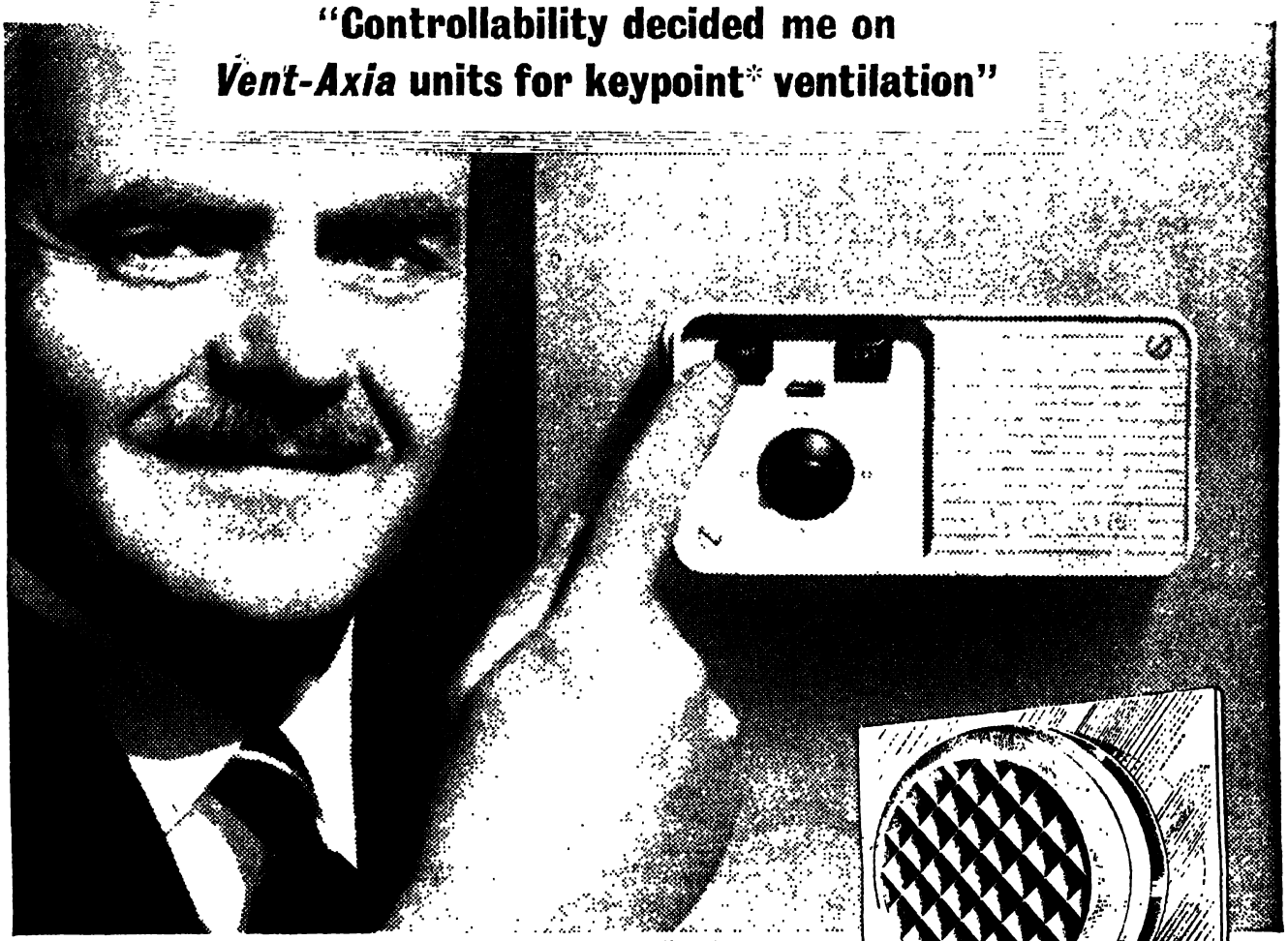
Ready with a complete line of cars and trucks that are sane, sensible, dependable - and priced very competitively.

And these days, not so funny looking either.

TOYO KOGYO CO., LTD.
Hiroshima, Japan

MAZDA

"Controllability decided me on *Vent-Axia* units for keypoint* ventilation"



Vent-Axia's unique controllability — three speeds (including boost) and extract or intake at the touch of a button. Switches now available for flush fitting or surface mounting as shown.

The three overwhelming advantages of *Vent-Axia* units are reliability, quality, and choice of models and fitments. There are window, wall and roof units for every ventilation task. Specify the unique control switch for three speeds (including boost) and reversibility. Specify automatic or iris shutter . . . all taken down, cleaned and replaced with the greatest ease.

Choose Vent-Axia units for keypoint* ventilation in your business, in your home, and be assured of trouble-free, controlled ventilation for as long ahead as you care to look.

***KEY POINTS** Wherever people gather together in confined spaces. Wherever fug and fumes, steam, smoke, smells or dust prevail

ASK YOUR ELECTRICAL SUPPLIER TO DEMONSTRATE A VENT AXIA

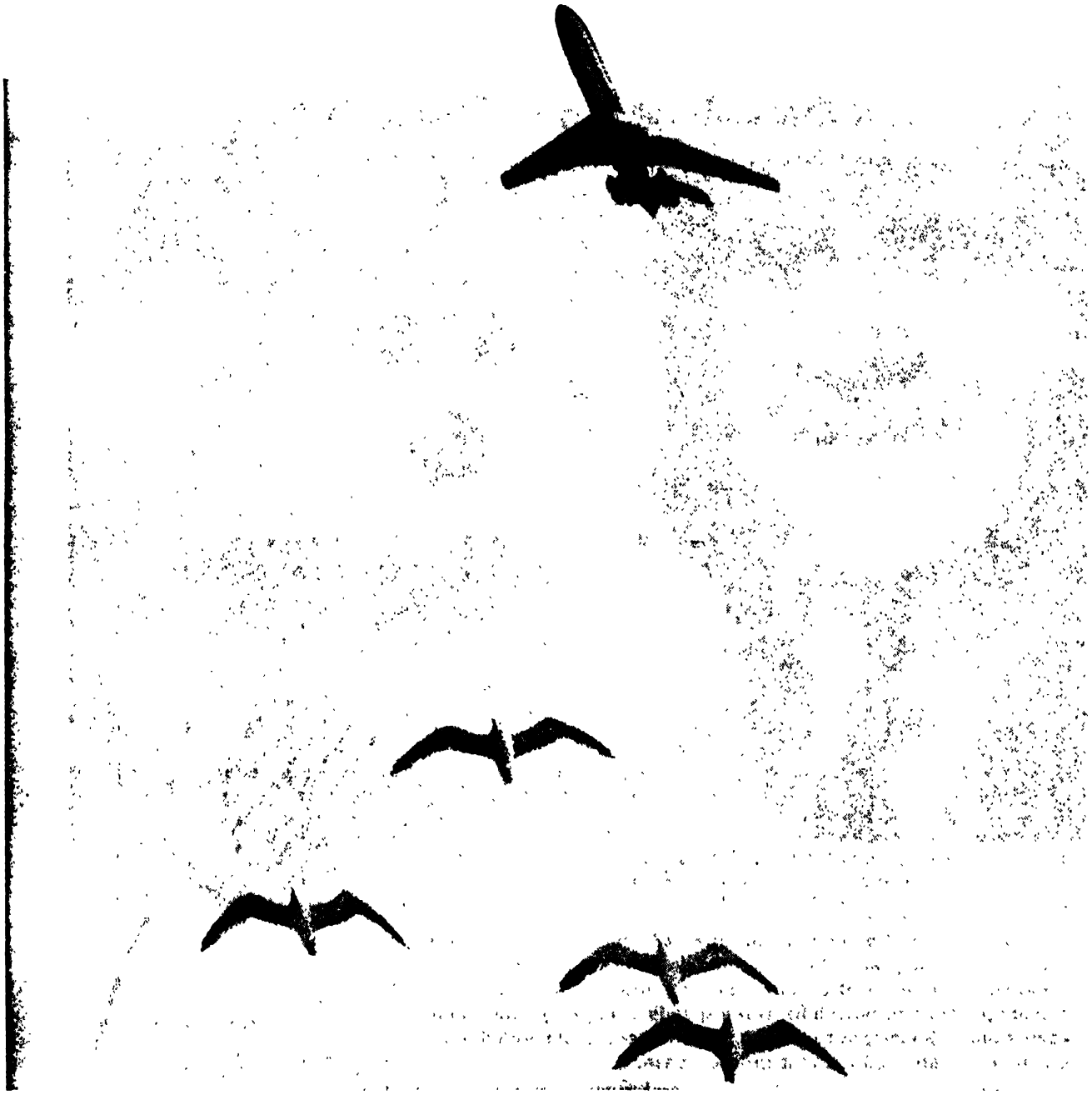
Vent Axia is the registered trade mark of Vent-Axia Limited.

Details of service facilities from these Vent-Axia branches

London S.W.1. 60 Rochester Row (Victoria 2214)
Glasgow C.2. 136 Bath Street. (City 7167)
Manchester 2 13 Lloyd Street. (Blackfriars 0634)
Birmingham 1 Lee Bank House, Halloway Head, (Midland [illegible])
Bristol 1 Bristol House, St George's Road, (Bristol [illegible])
Leeds 10 49 Roundhay Lane, (Leeds 22965)
Newcastle-upon Tyne 2. 12 Jesmond Rd, (Newcastle 31[illegible])

Vent-Axia LIMITED

A member of the Hall Thermotank Group



The Un-sensational VC10

Relax at ten miles a minute as the most advanced jet airliner in the world silently abolishes distance. British United VC10s sweep you gracefully into the sky with power to spare, land with controlled smoothness at your destination—certain and soon.

Travel spaciously—free of all sensation save that of being pampered by attentive cabin crews. Span an ocean in a morning yet arrive without the feeling of having travelled. The VC10 dominates the skies with the tranquil but mighty power of its rear-mounted Rolls-Royce jets. This is flying as it was meant to be—understated, utterly magnificent. Tell your Travel Agent you prefer to fly un-sensationally on a British United VC10.

BRITISH UNITED

JET SERVICE WITH A DIFFERENCE

EUROPE · AFRICA · SOUTH AMERICA

Portland House, Stag Place, London SW1. Telephone: VICtoria 8121

The Economist

JULY 31, 1965

Labour Men, Tory Measures 415
Radical Hopes 416
Life With Ted 417
McNamara's Third Task 418
The Concord Charade 419
Time to Plan the Planners 420
Is Patriotism Enough? 421

COMMENTARY 422
Parliament; Vietnam; Non-Proliferation; Territorial Army; Aden; Japan; Schools; Social Studies.

THE WORLD
INTERNATIONAL REPORT
Smiles in a deserted city 426
Cyprus; South Sea Islands; Trinidad; Germany; India; Common Market; Israel; A letter from Belgium.
AMERICAN SURVEY
Measured Steps in Vietnam 434
Matters of State; Home for Labour Day?; Educated Choices; Small Steel's Big Gains; Cosmopolitans on Campus; Safety First or Last?; Spotlight on Crime.

BRITAIN
Airy University 440
Post Office; Restraint of Trade; Tory Leaders.

BOOKS
Casuist of Catastrophe 443
LETTERS 409

BUSINESS BRIEF:
Attracting Labour: How Wage Sensitive? 451

BUSINESS
July Measures, '65 455
Motors all over the Place 458
BRITAIN 460
Dungeness "B"; Bank Advances; Computers; Gold; British Lion; Motor Cycles; Paying—and charging—for Ports; Forward Sterling; Hovercraft; Machine Tools; Titanium's Second Wind.
INTERNATIONAL 465
German Steel; Japanese Economy; Jugoslav Economy; International Liquidity; Nuclear Power in Sweden; Indian Oil; Asian Development Bank; Swiss Industry; Australia's Mining Bonanza.
INVESTMENT 469
Transport Holding Company; The Market; New York Market; Company Stocks; Company Profits; Dividends; Unit Trusts; Sanitas Trust; Ruston and Hornsby.

Stock Prices and Yields 489

Annual Postal Subscription by ordinary mail UK £6; overseas £6 10s.; by air, see page 431
VOLUME CCXVI - NUMBER 6362

Labour Men, Tory Measures

NINE months late, the political consequences of the political decision taken by Mr Wilson before his government was fully formed have at last got through to the Labour backbenches. When the Government rejected devaluation and slapped on its import surcharge in October; imposed new taxes in November; gave soothing reassurances to foreign bankers in return for the massive $3,000 million credit a week later; took a further deflationary dose in April; and sanctioned a further tightening of credit by the Bank of England shortly afterwards—through all this the parliamentary Labour party sat quiescent.

The remarkable behaviour of the socialist-trade union dog in this long night time has been not that it has begun to bark nastily this week, but that it was silent for so long before that. For, all through, the rejection of devaluation has implied that not only the vital re-establishment of international confidence in sterling, but also the correction of the trade balance itself, are dependent on puncturing Britain's economic boom. No one ever likes to put it so bluntly. But it was in that way, essentially, that the previous government had got through the two earlier sterling crises: the mild recessions of 1957-59 and 1961-63 saved enough imports to put the balance of payments at least temporarily to rights, though in neither was there any marked impact on exports.

If the real implications of Mr Wilson's no-devaluation decision have been so long disguised, that reflects above all the unexpected strength and endurance of this latest boom: and this is also an important if not an exclusive explanation for the seemingly never-ending series of Mr Callaghan's budgets and special statements. It is a little too easy now to job backwards and blame the Government for not imposing much stiffer deflation last autumn. The fact is that the figures of industrial production then were insisting that the boom had long flattened out. The Government's initial diagnosis of "no domestic overstrain" stemmed from its Treasury advice, as well as its own natural leanings. At that stage, indeed, the Bank of England itself regarded massive deflation as a mistake, and certainly there was never any sign that Mr Maudling was thinking along those lines a little earlier in the autumn.

What then really explains the Government's seeming inability to master the external crisis, and above all to turn the tide of foreign confidence? The calculations that inspired its latest measures are discussed on page 455. But the basic trouble has been that its earlier hammer-blows, some inherent in its deflationary policy and others not, did remarkably little to puncture the buoyancy of businessmen—at least until recently; but at the same time, through their general unpopularity in the business and financial community, hindered the already difficult task of restoring confidence in sterling.

Now, with this latest additional deflationary dose, the likelihood is that the first element needed for a sustained sterling recovery, a slowing down of the economy, will come about. And this itself would normally have an immediate salutary effect on the psychological side. One must not be mesmerised by the unprecedented duration of the bear attack on the pound. Once British and international opinion is convinced that the Government really means what it says in putting the exchange rate of $2.80 first, then the turn round in the exchange markets could still be swift and sharp—as it was in 1961 and 1957. The traditionally awful month of September might then hold none of its terrors.

If one looked at the state of the economy alone, the greatly increased likelihood

McNamara's Third Task

President Johnson announces a bigger call-up. It is needed to complete "the McNamara strategy"

It is not often given to ministers of defence to have an effect on history. France's Carnot and Prussia's von Roon—the band is a small one, but Mr Robert McNamara will be numbered among them. What has become known as "the McNamara doctrine" has revolutionised the strategic picture of the 1960s by freeing the two great nuclear powers from their obsession with mutual threats of massive retaliation. And the revolution is not over yet.

From 1960 onwards Mr McNamara began to put into practice the thinking of a decade about problems of warfare that had suddenly grown more dangerous than ever before. Naturally not everyone was pleased. First American military men and then European allies objected to being buzzed by whiz-kids. As Henry Kissinger puts it:

> . . . the speeches of Secretary McNamara at successive Nato meetings have been generally hailed as extraordinarily brilliant, yet they have almost always been followed by periods of intense restiveness in Europe.

Yet, despite the restiveness of General de Gaulle and the failure to foresee the diplomatic consequences of the Nassau agreement in December 1962, Mr McNamara's three-pronged attack on defence problems was generally thought to be reaching its objectives. It is only since the sharpening of hostilities in Vietnam that the question has begun to be asked whether those objectives really met the problem.

The first prong of the attack, the drive for cost-efficiency, has certainly succeeded and is a model for other ministries of defence. The second, the attempt to diversify America's strategic options and get away from the choice between Armageddon and surrender, has enjoyed a good deal of success. Mr McNamara sharply cut the risks of nuclear war by creating a pretty well invulnerable second-strike capacity of land-based Minutemen and Polaris submarine-borne missiles, by changing a counter-city strategy to a counter-force strategy, and by advocating the build-up of conventional forces in Europe.

But it was here that the McNamara strategy began to run into difficulties. America was not able to persuade Britain or France to renounce nuclear weapons. West Germany's fears of being left without nuclear protection, backed by the threat of a gaullist-inspired Franco-German military collaboration, made the United States hesitate to play down tactical nuclear weapons too dramatically, despite Mr McNamara's description of their possible use as "a very definite threshold, beyond which we enter a vast unknown." It is doubtful whether even Mr McNamara now envisages a war in Europe without tactical nuclear weapons being used.

In the main, though, two parts of the McNamara programme were successful. The same cannot be said of the third: the attempt to cope with "wars of liberation." "It is quite possible," Mr McNamara told the armed services committee of the House of Representatives in 1962, "that in the decade of the 1960s the decisive struggle will take place in this area." Guerrilla warfare and subversion, together with the even more difficult problem of coups d'état, required the building-up of specialised forces and the development of specialised equipment. But in Vietnam the presence of American advisers and the counter-insurgency programme of the strategic hamlets, which Mr McNamara seems to have thought would be enough to turn the scales against the Vietcong, proved not to be. Now he seems to have come to the conclusion that the deterrent against wars of liberation is war itself: massive intervention combined with the threat of an escalation that would make it the sort of war America is best equipped to fight. In this sense what is now happening in Vietnam is an experiment with an American strategy for Asia and Africa.

This growing American commitment in Vietnam is bound to react on the shape of American strategy in Europe. When the build-up is completed in Vietnam it seems likely that it will involve at least three full divisions of combat troops—half what the United States has in Germany. President Johnson announced a bigger call-up on Wednesday; he may also have to call up some specialists. Since the new men will have to be trained, the forces in Europe will probably be milked to supply Vietnam, and replaced by raw units. Inevitably this process will lead to a greater reliance on tactical nuclear weapons in face of any build-up of Russian conventional forces in east Germany.

In other words, nuclear weapons in Europe could return to their pre-McNamara role: a substitute for trained manpower, "the equaliser." But this comes at a time when, in view of France's increasingly unco-operative attitude, the whole structure of Nato may have to be replaced before long by a series of bilateral arrangements between America and its allies. Any new arrangement with west Germany would give the Germans a chance to insist on their own strategic ideas, the most extreme of which might be a return to a policy of massive retaliation. It is true that limited Russian raids into western Europe—the danger that Mr McNamara's "flexible response" was designed to cope with—now seem less likely than they did in 1960. The Russians too seem to reckon that a war in Europe would be nuclear or nothing.

The distortion that Vietnam and General de Gaulle impose on Mr McNamara's European strategy is symbolic of the new postures America must adopt to face an adversary in the Pacific. Not only will Mr McNamara's planners have to work out new ways of bringing pressure to bear on China in the event of conventional war; the existence of a Chinese bomb also conjures up a future in which early-warning systems will have to cover the western coast of the United States as well as the eastern one. There are already reports of a growing American interest in an anti-missile system created to deal not with Russian attacks but with those of other countries whose lack of nuclear experience might lead them to a sort of national kamikaze raid on America. The small atomic war is now a real

possibility that requires yet more options in the McNamara strategy.

Perhaps the greatest service that Mr McNamara has done his country is to make the department under his control sufficiently flexible to consider such possibilities while there is still time. More than any other country the United States has the power to make rapid changes in strategy. It is holding two fronts: a European and an Asian one. The fact that the Asian front has become active for the first time since the armistice at Panmunjong means that America needs more troops, and the equipment to move troops from one side of the world to the other. This is the kind of problem that Mr McNamara and his men are good at. It is due to him, and the reorganisation he has effected, that the present American attempt at a rescue operation in Vietnam was possible at all. Now the results of his work are to be tested in battle.

The Concord Charade

Someone must call the bluff; the Concord supersonic airliner will not be built. This is no sourpuss guess; it is the consensus of opinion among men closely connected with the project

And yet the charade goes on; another sour round of parliamentary criticism, another week of cuts in Government spending and Concord—officially—still survives. Unofficially, most people have written it off as dead. Their reasons can be read between the lines of the latest report of the Committee of Public Accounts: the original Concord design, which was estimated at a maximum cost of £170 million halved between Britain and France, could not get across the Atlantic with—in the committee's words—"the regularity and safety required by civil airlines." With passengers, it had no room for fuel unless they swam half the way; with enough fuel, it had no room for passengers.

At least another £100 million will be required to put this right, plus another £50 million for testing the aircraft; the current total stands at £330 million. Or so Mr Roy Jenkins's Ministry says. The Public Accounts Committee simply suspends belief: "Your committee . . . doubt the value of estimates which are so conjectural as to be almost worthless as an indication of ultimate cost." And so should any chancellor, and any prime minister jealous of the way Britain's scarce resources of skill are spent.

Why should the country tolerate an aviation drain, even of the—to aviation—modest dimensions of the Concord's present £1 million in Britain a month? It is not quite correct to attribute Concord's survival to the personal influence of Mr Roy Jenkins; rather does his influence rest on the message he brings, that the Hague Court would award damages to France against Britain of about £140 million if Concord were unilaterally cancelled. This has apparently whipped the Chancellor back into line; under present circumstances he simply has not got £140 million to hand over. But the alternative, of going on, commits Britain to spending at least £165 million building its half of Concord, and probably a great deal more if the PAC's gloomy surmises about cost estimates are right. It would already be cheaper to pay France; it would be a positive gain to get together and agree mutually to spend the equivalent sum on other things more useful to the two countries' economies.

Nor does the accounting end there. For every airliner built there must be an airline to fly it. Parliament has already been asked to write off £110 million of capital for the British Overseas Airways Corporation, for losses caused largely by flying bad British aircraft, and the £8 million net profit made by the corporation last year as it pulled itself out of the trough was not ploughed into reserves as a normal airline would, but mopped up in a pitiful reduction of the deficit of nearly £90 million accumulated in eight years. BOAC is currently negotiating to pay the British aircraft industry £4 million each for jet aircraft that could have been bought from America for £2½ million.

What is more, the corporation, now as cynical an operator as the aircraft industry, is trying to trip the Government into yet another costly aircraft development. If BOAC can get the Government to approve the development of a jumbo-sized version of the VC 10, which would not be done for much less than £35 million, then it could wriggle out of taking delivery of ordinary merely super-sized VC 10s that it does not want. It would make the Government sell these aircraft to it at what BOAC might call an "economic" price, but that would certainly involve a heavy loss on their production.

The situation has come to this: only a subsidy can keep the British aircraft industry alive. Concord is a bad aircraft, but it seems less damaging to go on with it than to stop although everyone accepts it will stop when the industry gets something to replace it. The VC 10 has turned out to be a mistake aircraft, i.e. no one else will buy it, so BOAC has to buy more of what it does not want. BOAC had an £80 million capital loss written off plus the gift of an interest-free £30 million contingency reserve as compensation for taking VC 10s. Now it demands that any future British aircraft that it buys shall be subsidised by the Government. Can the country really afford to do this? Aviation is not the dynamic, pace-setting industry it once was; technology has outstripped it as it once did the shipping and the motor industry and now resides in more way-out techniques than manned, winged flight.

So aviation does not contribute to the engineering industries in the way it did even five years ago, and the pace is decelerating to the point where Concord, authorised at the end of 1962 after several years' work, could not now be in service before 1972 or even later; the American supersonic transport programme has been postponed for more research for at least another year and a half and no American aircraft could be in service at all within the decade. This extreme American caution, despite huge resources, despite careful research, should be a warning that supersonic airliners that can pay their way are not things designed on the back of an envelope.

It needs someone of courage to come out and say Concord as now designed is not worth the labour and love going into it; to say that a pampered handful of air passengers do not deserve to monopolise the skilled devotion of some of Britain's and France's best engineers. When the much more vital issue of this country's security was at stake, there was still no lack of voices willing to say the TSR 2 bomber should go. So why so shy about the relatively frivolous Concord ordered as a gesture to Anglo-French goodwill at a time when Britain was prepared to buy its way into the common market at virtually any price? Had we been accepted into the community, Concord might have been worth the cost. Now it is not. There are better ways of spending nearly £200 million than in flying the Atlantic in three hours. Has everyone in every political party lost his tongue? Have they all constituents in Bristol?

Time to Plan the Planners

Mr Callaghan may have put a stopper on the rebuilding of Britain's cities: but he has made it no less urgent to rethink how the provinces should be planned

THE Chancellor of the Exchequer has added a special irony to this week's words from the Minister of Housing's planning advisory group*: "It is essential that local planning authorities should be given as much guidance as possible on the *scale* on which they should plan. . . . In particular the authorities must be given reasonably firm guidance on the assumed growth rate of public investment in roads and redevelopment." The Chancellor's shadow lies heavily, too, on the first regional studies from the Department of Economic Affairs—for the North West and the West Midlands†—which are almost exclusively concerned with the urgent need to rebuild these areas. It is now a purely academic question whether the country can afford the 800,000 new houses which the north west so desperately needs by 1981, as well as the 600,000 claimed for the bursting population of the West Midlands. But this does not mean that regionalism is at a standstill—on the contrary, as the purse strings tighten the opportunity arises for both Mr Crossman and Mr Brown to get down to essential jobs which will mean that when the money is to be had it can be spent to very much better effect.

The first of these jobs is to improve the crude tools for deciding where investment can be most effectively concentrated. If such obvious winners as the new city of Leyland-Chorley in Lancashire and (underlined by this week's interim ports plan, see p. 462) the expansion of the Severnside complex are given the go-ahead, how many other people must be denied how much? It is clear that the first instalment of the National Plan is not going to say much about regional development, largely for the simple reason that nobody yet can decide how to express regional planning in economic terms.

The depressingly inadequate West Midlands study—it contains, for instance, not a scrap of information relevant to the likely effects of the new office building curbs in Birmingham—confesses itself baffled. Clues from the seven-year-old Census of Production suggest that the labour-hungry Midlands industries, the key to the region's affluence and squalor, may be using their expensive labour inefficiently. If this is true, as one guesses it is, then it is crucial to the national as well as the regional well-being—but guesses are not enough. Nor, to go to the opposite extreme, is the collection of endless statistics in pursuit of perfect knowledge. Goodness knows, there is enough to be done in the purely tactical field. To take an obvious example, the West Midlands is now (and high time too) to consider "a new axis of growth" in the Welsh marches around Shrewsbury, but this has no chance of success until there is more knowledge of the conditions in which industries can be prized away from the Birmingham conurbation.

An eloquent silence surrounds the biggest unasked question—which is not what should be planned for the regions but who should be responsible for planning them. Mr Brown's regional economic planning councils are supposed only to filter information to and fro between the DEA and the responsible bodies within the regions; and pretty fed up two of the councils must be feeling this week at having filtered back to them a heap of statistics and growth maps which some of their members were largely responsible for in the first place. If regional strategy is truly to originate at regional level—instead of being simply the best acceptable combination of plans devised by the several local authorities concerned—then something quite other is needed. This, too, is the great unspoken message of the report to the Minister of Housing on reform of the planning (town and country style) machinery. In other words, radical reconstruction of representative local government is becoming more and more unavoidable.

THE logic of the important, if unoriginal, suggestions made by the planning advisory group is unavoidable. Its brief was narrow and its approach not as bold as it seems to think. The report proposes that the bane of creative planning, the development map, should be scrapped in its present form. Ministerial approval would no longer be required for the fiddling details of every square yard of ground plan. Instead, planning authorities would be required to submit broad "policy maps" only to the Minister, indicating among other things areas of immediate action. They would then be left to work out their own detailed schemes for these "action areas." Counties as well as boroughs should be required to think what they want for their whole area rather than simply drawing up a few town maps.

This would mean several things. Professional staff would be freed from the cumbersome chore of keeping the development map up to date and be free on the one hand to think out strategy and on the other to pay more attention to the design details of what is actually being built. Planning committees would, or should, be put to much more imaginative effort than is generally required of them. Finally, local authorities would have to be capable of handling the burning

* The Future of Development Plans. HMSO. 10s. 6d.
† The North West. 18s. The West Midlands. 12s. 6d. HMSO

details of town plans—the details which always mean money for somebody—without the Minister looking over their shoulder, save in an appeal. The best authorities are already capable of these things. Many others are not, and in their present form are never likely to be.

The solution for this is the one long advocated by this paper—and again recently in an Acton Society publication by Mr Brian Smith.‡ This is a new structure of democratic, as opposed to bureaucratic, local government based on regions and their subdivisions. If planning in any sense is to have a satisfactory regional form, this must be directly linked with the form of elected local government. Plenty of other local services can and should remain within much smaller units which would be junior partners in running the regions.

Mr Crossman himself is known to favour the largest type of city government where possible. He would like a single borough on Tyneside instead of four, and his unpopularity among outraged Labour councillors in the West Midlands must have convinced him that it is probably easier to turn seventeen authorities into one than it is to turn them into five. All this is sensible as far as it goes. But it is no good strengthening the powers of the big cities without defining their relationship to the weakened counties in between. If regions are to exist which can plan for the redistribution of population and resources, then it would be disastrous to be content even with quite drastic reforms of existing boundaries, and existing systems of government. Let us for heavens sake think in terms of systems and methods built to fit the demands of the future, rather than the habits of the past. Then the men, and the money, could be made to fit better too.

‡ Regionalism—the new regional machinery. Acton Society Trust. 5s.

Is Patriotism Enough?

The Rumanians have made out quite an argument for their way to socialism. But there may be trouble ahead

PATRIOTISM may, or may not be the last refuge of scoundrels, as Dr Johnson said; it has certainly become a favourite refuge for communists trying to give themselves a decent measure of popular support. In the post-Stalin period, the most outstanding example is the Rumanian. For nearly three years the Rumanian communists have been quietly and deliberately cutting themselves loose from their former dependence on the Soviet Union, arguing that the Russian attempt to restrict the all-round development of the Rumanian economy was clean contrary to Rumania's national interests. This defiance has paid off. Whatever their private feelings, the Russian leaders, first Mr Khrushchev and now Mr Brezhnev, have accepted the Rumanians' independent stand. Instead of being expelled from the communist camp, as the Jugoslavs were in 1948, the Rumanians now find themselves treated with respect by Russians and Chinese alike; their independence is respected, and their neutrality in the Sino-Soviet dispute accepted.

Moreover, the Rumanian communists' defence of national interests has won them a measure of support—or at least of acceptance—by their own people that they could never have hoped to gain otherwise. At their party congress in Bucharest from July 19th to 24th the Rumanian leaders plugged away at establishing an even closer identification of their regime with Rumanian nationalism. The state and the nation were presented as the indispensable basis for building a socialist society; the new constitution as fulfilling the "centuries-old aspirations" of the Rumanian working people.

The Rumanian party was likewise presented as an entirely home-grown product. Its name was changed from "workers" to "communist" party; this emphasised its roots by linking it up with the prewar communist party. Its distinctive character was underlined by the decision to call the party leader, Mr Ceausescu, its general secretary, instead of first secretary, as is now the fashion elsewhere in the communist world. The party was also carefully presented as beholden to no one. Mr Ceausescu mentioned the links between the Rumanian socialists and Engels in the 1880s: this was a delicate hint that the Rumanians took their marxism straight from the source and not through any Russian filter. He ignored the Red Army's help in turning Rumania communist in 1944 and 1945.

The determined effort to identify the party with national and patriotic feeling may have helped to unite the top ranks of the party. The unity may not go all that deep, and allowance must be made for the fact that by temperament the Rumanians are likely to be better at hiding their discords than some of their more excitable Slav neighbours. All the same, the Rumanian party seems to be impressively free from the reports of disagreements and contending factions that persistently hover round most other east European parties.

It is only four months since the death of the veteran party boss, Mr Gheorghiu-Dej, and the authority of the men who then closed their ranks smoothly and efficiently behind Mr Ceausescu, the new party secretary, was confirmed at last week's congress. They are now assiduously proclaiming their devotion to collective leadership. The new regulation that no one is to hold more than one full-time job is doubtless designed to prevent the concentration of too much power in one pair of hands. Yet the new seven-member praesidium, which takes over from the old politburo, and is to meet daily, will make it easier for the small group of men at the top to keep a tight hold on the collective reins of power.

WHAT really binds the Rumanian communists together is success. They have given an impressive demonstration that their country, economically backward but rich in natural resources, is capable of developing an advanced all-round industry of its own. They have shopped throughout the capitalist and communist worlds for the latest and best industrial equipment; and in the period from 1960 to 1965 they have achieved a remarkable average annual growth of industrial production of 14.4 per cent. They are all set to

consolidate and develop their gains over the next five years, and if the planned rate of industrial growth is rather more modest, it is still impressive.

This is not all. They seem to have achieved this rapid industrial expansion without being seriously bothered by any of the inefficiencies and failures of centralised planning that are now giving rise to such anguished debate in most other communist countries. One reason may be that the Rumanian economy has not yet reached the point of complexity where a tightly centralised planning system really begins to creak; another could be that they tend to operate their planning with more common sense and flexibility than other communists. At any rate no one in Rumania seems to be worrying (yet) about the profit motive and Professor Liberman; on the contrary, more centralisation is the order of the day.

Mr Ceausescu and his colleagues, however, are not likely to become dizzy with success. They have made their point, but problems abound. Little progress has been made on agriculture. Collectivisation, pushed through ruthlessly four years ago, has not yet paid off; in the next five years much more modest production targets are to be combined with a 60 per cent increase in investment. Living standards have significantly improved, but people who have been given a sniff of prosperity may clamour for more of it, more quickly, than the regime is willing or able to provide. Similarly, writers and artists who have been given a little more rope could become far more difficult to handle than they have been.

The Rumanian communists may eventually find, in short, that patriotism is not enough. Their success in establishing their economic and political independence from Moscow may be envied by other communist regimes that for a variety of reasons—geographical, historical and economic—have felt obliged to make much more cautious use of the disintegrating forces in Stalin's former empire. But when it comes to grappling with the painful and protracted task of working out a stable relationship between people and party, the Hungarians and the Poles have the advantage of the Rumanians, however far they may yet be from the goal.

COMMENTARY

PARLIAMENT

New Men, Old Bills

On his appearance as Leader of the Opposition on Thursday Mr Heath wisely did not give the Prime Minister a rough question time. Rather like prize-fighters shaking hands dutifully before a good, clean knock-down, drag out battle. Mr Heath was right to play it cool, but as it happens Mr Wilson's performance in the House over the last month has been falling away badly from his early supremacy. The exact date of the beginning of his decline was June 24th when Mr Macleod in one of his rare forays at the dispatch box questioned him on the Government's promise to introduce the steel bill this session and got a blatantly evasive answer. Since then, although he has not had much in the way of opposition at question time, Mr Wilson has not been impressive. Maybe he actually needs a good heavyweight to perk him up.

On Tuesday when the three contenders for the Tory leadership were all tactfully absent Mr Wilson had no opposition at all: nor, by design, did the Chancellor of the Exchequer, who followed with his statement of the latest economic measures. Mr Anthony Barber had been left in charge of Conservative economic policy but since he had not received an advance copy of the statement confined himself to the most general of objections. Mr Barber, who was at different times both Financial and Economic Secretary to the Treasury during the last Conservative government, was one of the Heath team of front bench spokesmen during the debates on this year's Finance Bill. Others in the team were Mr Peter Walker, Mr William Clark, Mr Peter Emery and Mr John Hall; they are for the most part state-educated, experienced in business and relatively young. They were strong supporters of Mr Heath in the leadership contest, and are likely to benefit from his success and their own efforts in securing it.

Largely because of the time taken by their amendments to the Finance Bill (many of which were accepted by the Government), the House is going to sit at least for the first week of August. It looks, however, as though separate bills which have been in the pipeline for some months will not be completed by that date and will have to be finished in the few days in November which precede the new session. The two most important of these, both of which have been amended by the Lords, are the Rent Bill and Mr Silverman's Bill to abolish capital punishment—which now has Lord Parker's substantial amendment on sentencing attached to it. Until they are passed rents will remain unadjusted, and the Home Secretary will have to reprieve murderers condemned to death by the courts. It would be better for the House to sit another week into August.

Labour Side-Tracked

Last Tuesday may well turn out to be the most significant day in British politics since the war, and it is a nice judgment which will prove more important: Mr Heath's election or Mr Callaghan's mini-Budget. For many Labour MPs, at least, there is no doubt. This was the day when the Wilson Government turned its back on socialism and disastrously set the seal on a retreat to "Stop-Go." The anguish of Labour backbenchers at seeing so many of their cherished schemes tucked into distant pigeon-holes may so far have been side-tracked into the lobbies and tea-rooms, but it faces Mr Wilson with his biggest internal problem since he became Labour's leader. This does not mean that the Tories can now expect Labour neatly to fall apart: Mr Wilson is embarking on a brisk salvage operation, and he is the best political engineer in the business.

Just how far he can restore morale and hold the party together will partly depend on the state of feeling inside the Cabinet, and among the "magic circle" of Baloghs and Neilds. While Mr Callaghan was making his announcement, Mr Brown was sitting on the Government front bench, ready to point an accusing finger at the Tories. But life in the Department of Economic Affairs cannot have been very cheerful over the past few days, and the sharp reaction of the Trades Union Congress cannot have acted as a sedative on Mr Cousins.

Mr Wilson has one piece of luck: Parliament will probably be adjourning at the end of next week, and by the time it gets back in the autumn he will have had a chance to paint a picture more acceptable to his party. But will the party conference accept it? Probably it will. But the strains on matters even closer to Labour hearts than Vietnam are showing.

VIETNAM

Four Miles Up

HIGH in the air over Vietnam, some frightening question-marks were left hanging after the events of July 24th and 27th. It had become widely assumed that some sort of tacit anti-escalation understanding applied to the installation of Russian surface-to-air missiles (Sams) around Hanoi. The Russians were installing them with such conspicuous slowness that the five sites identified in the Hanoi area may not be operational even yet. The Americans seemed to have firmly decided to bomb neither these sites nor the city. Thus the risk of a direct Russian-American collision appeared to be barred by effective Queensberry rules. But on the 24th a Russian-type Sam destroyed an F-4C Phantom flying at over 20,000 feet forty miles west of Hanoi; and on the 27th American aircraft destroyed one of two "semi-mobile" missile sites newly detected in that area.

Even so, the time to press the panic button does not seem to have arrived yet. The Sams west of Hanoi are presumably of Soviet provenance; their crews may be Russian or partly Russian; but they are clearly not part of the defences of the northern capital itself. They went into action against aircraft attacking a munitions factory at Langchi, in an area where arms dumps, barracks and other military targets are located. If there is an understanding, it may still hold good as regards Hanoi itself and the immediately associated network of vital transport links and installations. American attacks in this zone would almost inevitably force the Russians to take much more of a hand in the game. The signs are still that the United States means to launch no such attacks. President Johnson told his people on Wednesday of his plans for large troop reinforcements, with all the painful consequences this means in terms of an increase in the draft. But the burden of his statement was that, in spite of Republican clamour for the bombing of Hanoi, he means to hold tenaciously to the concept of fighting the main war on the ground in South Vietnam.

NON-PROLIFERATION

Geneva's Others

ON Tuesday the Russians, the Americans, and fifteen lesser governments, all of them "non-nuclear" except for Britain, resumed disarmament talks at Geneva. China, France, Germany, Japan and Israel are not represented in these talks, although they all have a keen interest in the main current topic—the halting of the spread of nuclear arms. But Sweden, India, Canada and Egypt, which in their various ways are also keenly interested parties, are at the green table. And the behaviour of the "middle powers" may be worth watching as closely as that of the greatest.

As the talks began, the headlines were being captured by the superpowers' reaffirmations. Russia again rejected, and America again insisted on, on-site inspections as part of a ban on underground nuclear tests. For America, Mr Foster still voiced hopes of persuading the Russians that Nato nuclear sharing would check, not increase, proliferation. Mr Tsarapkin showed himself unpersuaded. The 1961 "Irish resolution" formula was no longer enough, he said; there must be a ban on transfers of nuclear arms not only to individual states but also to groups of states (meaning no multilateral fleet or Atlantic Nuclear Force).

But what about other states' more general reservations? Almost all the "near-nuclear" nations are arguing that, if they are to hold back, the existing nuclear powers must at least begin to cut back. Sweden would like to package up a non-proliferation treaty with a "freeze" on output of fissionable material. Neither Sweden nor India (for different reasons) is content with the idea of the nuclear powers offering the others a general guarantee of protection. India wants them to reduce their stocks of nuclear arms as well as halting production; Canada calls on them at least to pledge themselves to start cutting back soon. No doubt middle powers are as apt as great powers to start bargaining from positions that can later be modified. But, at the least, this should help to remind the nuclear club's members that non-proliferation is no private squabble. The outsiders must be taken seriously, too—for the good reason that the aim of the exercise is to stop them all crowding in.

At Geneva now American, British, Canadian and Italian experts are synthesising the latest British text with the more complex one offered by Canada, which reflects some of the near-nuclear states' anxieties. This dovetailing is not the only problem. The British text goes some way to meet Russian objections: it would ban transfers of nuclear arms to any group of states unless a veto on their use was retained by those members that are already nuclear; and its "escape clause" would let Russia out if any Nato nuclear sharing did lead to proliferation. Much negotiation remains; but it is early days yet.

TERRITORIAL ARMY

Shoot Me Like a Soldier...

IT has for long been obvious that several of the fifteen varieties of auxiliary soldiers who limp along behind the British army would have to go. It was merciful of the Government to say which, and when, on Thursday afternoon. In fact the whole lot are to be neatly carved up between two categories: some 8,500 combat-ready men, paid a bounty of £3 a week and organised much as the Territorial emergency reserve is now; and a further group, bringing the total of reservists up to 50,000, paid £60 a year and prepared to provide a stiffening for the regular army in any of its roles. By 1969 this change should be saving £20 million, and should have liberated a certain amount of manpower and accommodation that is at present tied up in servicing indifferent Territorial units.

There are two important implications. First, the Home Secretary is to announce a reorganisation of civil defence—which sorely needed it, and which is now to be deprived of what could have been its backbone. Second, the new-model Territorials (and above all their employers) will have to accept obligations much more onerous than those that week-end soldiers now take on. One wonders how many will volunteer, apart from the very young or the few who do not care about promotion in their civilian jobs. But these are doubts about the practice, not the principle of the thing. It would be very foolish if the Conservatives, to please the majors in the divisional associations, opposed what is an inevitable reform.

ADEN

Dancing out of Time

ON the old "jaw rather than war" principle, talk is usually a good thing in a tricky corner. Certainly this seems to have been Mr Greenwood's guide in his swift dash to Aden on July 23rd. Having failed to get constitutional talks going in either London or in the South Arabia federation, he is now trying to get the Adeni and federal leaders to send delegates to London to talk about some other talks later on. Even this suggestion needs, says the Adeni government, close study.

The trouble is that there is no reason to suppose that, while Adeni and federal politicians talk about talking, the National Liberation Front will grant them a truce from its terrorist war. With the fear of being blown to smithereens close on their tails, it is myopic to expect Aden's leaders to go calmly through the formal, slow-motion shuffle of an independence dance.

Some of Aden's leaders would doubtless have been privately relieved if Mr Greenwood had done what was half-expected and suspended the constitution. At least they would then have been off the hook themselves. But the British would have been good and truly hooked. The alternative is to try to cut the ground from under the terrorists by pushing on much faster, and in more specific terms, with independence. Whether Aden's modern politicians and the hinterland's autocratic sheikhs can ever agree on their marriage terms is and remains a puzzle: the point is that since Britain is doing demonstrably badly as a marriage broker, it might be better to try letting them get on with it themselves.

There are two interconnected things that Britain might do first: one negative, the other positive. The British base at Aden has recently slid into the background of debate; it should be allowed to slide even further. The Adenis will have a much tougher job if their hands are tied behind

their backs by prior commitments over the base. Almost certainly an independent Aden would allow Britain some facilities —at a price. The important thing is for British defence policy to be in a position where not being offered them would be no worse than an annoyance. Second, the British government should stop teetering and take that small but much fussed-over plunge of sending a British minister to talk things over in Cairo. In the House of Commons on July 19th, Mr Wilson said he was all for this but the sabotage and terrorism in South Arabia must stop first. If the Cairo-bound minister had some constructive proposals in his suitcase, the two things could happen together.

JAPAN

Breakthrough

JAPAN'S ruling party, the conservative Liberal-Democrats, took a beating in the Tokyo municipal elections last weekend. A major reason was the charges of corruption laid against some of their members, which alarmed even the normally docile Tokyo voters. The Liberal-Democrats had earlier failed to gain even one of Tokyo's four seats in the election four weeks ago to the upper house of the national parliament.

But even more impressive than the Liberal Democrats' defeat in Tokyo were the gains made by the Komeito (Clean Government) party, the political arm of the Soka Gakkai movement, all of whose 23 candidates were elected, giving it more than a sixth of the seats. It now holds a strong position, for neither the Liberal-Democrats nor the Socialists hold a majority in the Tokyo assembly; one may have to turn to the Soka Gakkai. Soka Gakkai is a mass movement of militant Buddhists whose addiction to discipline, to impressive displays and to a certain intolerance of those who disagree with it has led it to be likened to the fascist movements of Europe. This description is hotly contested by Soka Gakkai supporters, whose letters flowed in to *The Economist* when we suggested as much, rather as letters flow in to those who criticise the Moral Rearmament movement. That comparison is to some extent apt, since the Soka Gakkai proclaims equally high ideals, regards its political activity as an exercise toward these ends, and carries it out in a manner that is sometimes less than lofty.

SCHOOLS

Milk Oh!

THIS is public economy week. Last week was teachers' pay week. Put the two together. The cost of running all schools in England and Wales in 1963-64 was £812.7 million. Of this £391 million went on school-teachers' salaries and superannuation contributions. This figure, as everyone knows, is to rise by at least £44.5 million after last week's arbitration award. Capital spending and loan charges on capital added up to £177.7 million for the schools in 1963-64. There is a crying need for spending on new school buildings, and for improvements to those that exist. But clearly, now, extra money will not be forthcoming.

One item not included in the above reckoning is the cost of school meals and milk. This was £102.5 million in 1963-64. Parents paid £34 million towards the cost of meals in that year: the milk is entirely free. So the service cost the Exchequer more than half as much again as the cost of increasing the teachers' pay last week. The charge for school dinners was last raised in 1957, to 1s. per day, which is now less than half the cost of providing each meal. A perfectly workable system exists for exempting poor parents from the full charge. Mr Crosland, action this day!

SOCIAL STUDIES

Heyworth, Now!

BACK at the beginning of June, the report of the Heyworth committee on social studies received the routine welcome that such reports receive from the government and the opposition of the day. But it would seem that, since then, everyone has quietly forgotten the whole matter: and this week's new financial stringencies make it unlikely that the politicians will want to be reminded of it now. The Heyworth report proposed, chiefly, that a Social Science Research Council should be set up, to channel government money into support for the social studies, to keep an eye on the supply of manpower in this field, and to spread around information and guidance about what should be being done. The committee's sums were obscure: but the operation would clearly be an extremely cheap one—they suggested a net increase in Government spending of £150,000 in the first year, £500,000 in the second.

The spending of this modest sum would encourage the carrying out of specific research projects that might otherwise not get done. It would take over some of the heavy burden of support for research that the great and generous American foundations have carried for so long. It would also help to co-ordinate the research (in, for instance, education or in sociology) that is already being done up and down the country, but that is being done in an absurdly haphazard way. Among other things, to spare this cash could spoil a large part of the shortest-term return that is to be expected on the vast recent investment in old and new universities: they all have dozens of young dons longing to do a little research for publication, but with nobody to tell them what research needs doing now. Furthermore, one reason why the universities have rightly been given the money for expansion is in order that they should increase the production of people with certain scarce skills for which the demand is growing—economists, for example (although a change of government might create a wave of unemployment in this specialty, if a glance around the new departments in Whitehall is any guide). It would really be sad and silly if, when some future chancellor is once again ready to untie the curbs on the demand for specialists of this kind, it were to be found that the specialists do not exist because nobody has been keeping an eye on whether the right specialties are being cultivated now. It would be nice if this present period of enforced parsimony could really be used to prepare for the day when it will be over. Heyworth could help to do so, rather cheaply.

The Economist

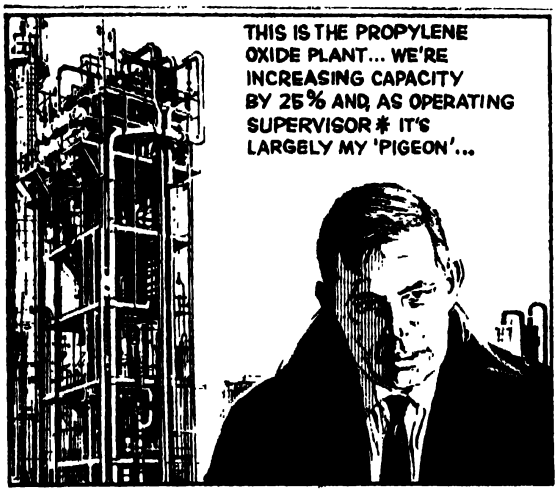
JULY 29, 1865

A NEW ELECTION ISSUE

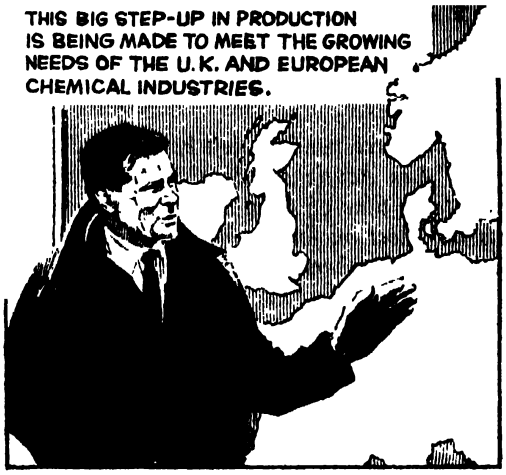
¶ The general election, now so nearly concluded, has been influenced by a novel element of much present and greater future significance. In several of the counties the farmers have been acting, not, as hitherto, mere doers of the will of their landlords, but on their own behalf. The special topic which has most commonly set them in motion has been the game. For the two or three last dry summers the game has everywhere in preserved districts become more numerous than usual, and excessively oppressive. At the same time the system of supervision has become more stringent since the passing of Sir Baldwin Leighton's Act for converting the rural police constables into game watchers. And this Act has proved the last turn of the game law screw which the farmers, dependent as many of them are, cannot bear. The result has been that the farmers have given very much greater support than usual to the liberal candidates for counties, especially where such candidates have personally dealt fairly or liberally with their own tenants in relation to game. One noticeable instance of this movement has been the defeat of Sir Baldwin Leighton himself in Shropshire. . . . We regard all these things as most hopeful signs—hopeful for the elevation of the social status of the tenant-farmer, and hopeful for the future progress of British agriculture, which at present is more kept back by the mismanagement of landed property, and the unduly depressed condition of the tenant-farmers, than by any other circumstance. With a few tenant-farmer members in the House of Commons, there probably would soon be a diminution of game on our soil, with a vastly increased amount of capital employed both in its improvement and cultivation.

WHAT'S THE NEWS FROM SHELL CHEMICALS?

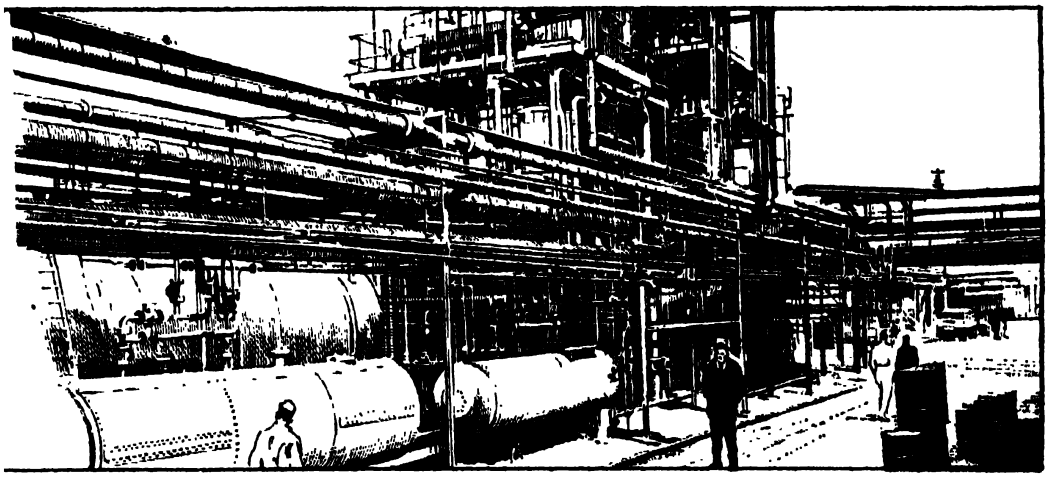
More propylene from Carrington



PROPYLENE OXIDE IS NOT A NEW CHEMICAL. IT WAS FIRST ISOLATED BY OSER AS FAR BACK AS 1861, BUT MORE AND MORE USES ARE STILL BEING FOUND FOR IT.



PROPYLENE OXIDE IS USED MAINLY AS AN *INTERMEDIATE* IN THE PRODUCTION OF OTHER CHEMICALS WHICH ARE, IN TURN, USED IN THE MANUFACTURE OF POLYURETHANE FOAMS, RESINS, PHARMACEUTICALS, COSMETICS AND A WIDE RANGE OF OTHER GOODS.



CARRINGTON, STANLOW AND SHELL HAVEN ARE THREE OF THE BIGGEST CHEMICAL COMPLEXES IN EUROPE. AT ALL THREE, MANY OF THE INDIVIDUAL PRODUCTION UNITS ARE BEING EXPANDED TO MEET THE RAPIDLY GROWING CALLS FROM PRACTICALLY ALL INDUSTRY FOR MORE SHELL CHEMICALS.

Shell Chemical Company Limited and Petrochemicals Limited are members of the Royal Dutch/Shell group of companies. Shell Chemical Company's three operating divisions are: Industrial Chemicals, Agricultural and Plastics & Rubbers. Marketing through Regional Offices offers friendly service with all the advantages of dealing with a big international group.

Can Shell Chemicals help you? Please write to the Information Officer.

* This Operating Supervisor is an executive at the Carrington Works of Petrochemicals Limited. He has a staff of 27 people. He is 37, and has a B Sc (Tech) degree from the University of Manchester.

So many good products begin with Shell Chemicals

Shell Chemical Company Limited, Shell Centre, Downstream Building, London, SE1

THE WORLD INTERNATIONAL REPORT

Smiles in a deserted city

Our Paris correspondent, left behind as the great migratory tribe of "Les Aoutiens" departs from Paris for its annual holiday, takes time off from hunting for open shops in empty streets to reflect on foreign holidaymakers in France and on French holidaymakers abroad.

SOON visitors to France will be spared one shock. In their agonised calculations on the threshold of a restaurant, they will still have to reckon with the tip but no longer with the *couvert*. From October, the cover charge is to be included in the advertised price. Already, as part of Operation Charm, a visitor arriving in France may be handed his *chèques sourire* (smile cheques): a sheaf of six forms on which the visitor is supposed to record the names of Frenchmen who have been particularly amiable to him. Any Frenchman who collects enough of these cheques will qualify for a prize from the government. This campaign, together with more down-to-earth measures such as increased credit facilities for hotel owners trying to modernise their accommodation, is designed to prevent the fast dwindling surplus on the tourist balance from turning into a deficit.

This may seem odd. Has France not everything to offer? It has Saint-Tropez for the snob and the sandy beaches of Brittany for the family, the grandeur of the Pyrenees and the ski slopes of the Alps for the sportsman, chateaux for culture-vultures, food and wine for the gourmet. All this and more, with Paris thrown into the bargain. A paradise, one would have thought, for the tourist. And yet the figures are bleakly there. In 1962, the surplus of foreign spending in France over French tourist spending abroad amounted to nearly 1,000 million francs. In 1963, it was still in the region of 600 million francs. But last year it was down to 152 million francs; by now it may well have vanished.

Revenue from tourism is not actually declining. But so far France has proved no match for its Mediterranean partners in the competition to squeeze a larger income out of Europe's mass migrations at holiday time. Some travellers are by-passing France; others are hastening through on their way to Italy or Spain. Since France's higher prices seem to be the main deterrent, one of the aims of the current campaign is to convince outsiders that France is, at any rate, the place where you get value for money.

Outsiders, however, are no longer the only ones to be wooed to the idea of a French holiday. The balance is threatened mainly because an increasing number of Frenchmen are taking their holidays outside their own country. Foreign travel is no longer the privilege of the wealthy or erudite few. The wanderlust has spread to the middle classes and even occasionally beyond. Last year, one in every seven holidaymaking French adults went abroad: a total of 3·8 million French tourists. The proportion is rising fast. Clearly, Frenchmen have been drawn into the all-European search for an unfamiliar but not too expensive place in the sun.

Price has a lot to do with the direction of travel. Italy, the traditional destination of holidaying Frenchmen, just managed to stay at the top of the table last year with about a million tourists spending an average of 19 days there. But only just. The figures for Spain and Portugal combined were almost the same and, judging by the rate of growth, should be much higher this year. French holidaymakers have been striking out in all directions, though not, alas, across the Channel. Britain is still in sixth position but well behind Switzerland, Germany and the Benelux countries. Last season, Britain could welcome only some 144,000 French tourists, though each of them stayed on average more than 25 days. The length of stay can be explained by the large number of young people coming to learn English.

The fast expansion in foreign travel is a striking feature in the general but steadier growth of holiday-taking. The main reasons for this general increase are longer holidays, higher living standards and easier travel. Though four weeks' holiday with pay is not yet legally compulsory in France, it is already the rule in industry. Last year, 44 out of every 100 Frenchmen took a holiday. But what about the remaining 56 who stayed at home?

The reasons that send one family on holiday and keep another at home are fairly predictable. One important factor is where they live. Town dwellers have a greater urge for a break than people living the whole year round in the countryside. Parisians are national record-breakers, three out of four taking an annual leave. A second and vital factor is income and class. Only one farmer in ten takes a holiday (defined in French statistics as more than four days spent away from home). The list of holidaymakers moves up through labourers, small shopkeepers, skilled workmen, employees to end with senior executives in business and the professions. The well-to-do, who in recent years have discovered *le weekend* (and have sent the price of any cottage within 50 miles of Paris sky-high), like to combine summer at the sea with a skiing holiday in winter. The wife, in these top groups, often stays away with the children throughout the school holidays, the husband joining them for the weekend. But the old joke about the cuckolds' train is getting out-of-date as so many husbands now drive down by car.

When holidays range from a week with cousins in the country to months of luxury, national generalisations are not easy. But one thing Frenchmen still insist on; nearly all of them take their

Une partie de compagne

holidays in August. The hordes migrating through the countryside that month are called *les Aoutiens* by verbal analogy with that other mysterious tribe, the Martians. Those who live on tourism grumble, but efforts to stagger holidays have failed so far. True, it is claimed that more people have gone away in July this year and your correspondent's lesser difficulty in parking his car seems to confirm this. But it is this coming weekend that the great rush is on. Paris is left to the foreign visitor and to the few abandoned Parisians who will have at least one ingredient of a holiday, the feeling of *dépaysement*.

CYPRUS

Makarios's fast one

FROM OUR CORRESPONDENT IN NICOSIA

SWIFTLY in the wake of Greece's crisis comes a crisis in Cyprus. On July 23rd the Greek Cypriot members of the House of Representatives pushed through a controversial new electoral law which, by placing the Greeks and the Turks on a common roll, wipes out all the special provisions for Turkish representation in parliament that were included in the Zürich settlement. At the same time they passed an accompanying bill that extends the terms of office of President Makarios—but not that of the vice-president, Dr Kutchuk, whose functions, the Greeks claim, are now defunct—as well as that of all existing members of the legislature, for a period of up to twelve months (after which the electoral law will come into force). The fifteen Turkish members of the house were refused entry to the debates unless they first accepted conditions that amounted to a virtual surrender of the entire Turkish case.

Observers here believe that this crisis would not have arisen had the Greek government been functioning normally. In countless matters during the past eighteen months, Athens has restrained Archbishop Makarios and his ministers (as well as General Grivas). Suddenly the restraining hand was paralysed—and the temptation to pull a fast one proved irresistible to the Cypriot ministers. The electoral bill was smartly whipped out and jet-propelled through parliament.

In fairness to the Greek Cypriots it should be pointed out that the law does not come into force immediately, so that the Turks have a slight respite; but the Turks argue that it is the principle that matters and the time lag is irrelevant. Again, there are signs that the Greeks regard the law as an initial "bargaining position" rather than as an immutable basic law in a new constitution. But the Turks take the law at its face value and for propaganda purposes make the most of its latent injustice. In every constituency they would be heavily outnumbered and, on the face of it, would be lucky if they got two or three seats out of fifty.

The most curious aspect of the whole affair is the Greek Cypriots' naïve over-confidence that the Turks are now ready to collaborate with them. If only the Turkish "terrorist" leadership is overthrown, the theory runs, then the moderates will come forward and co-operate with the government in implementing the new constitution. Enlightened Turks will run on the Greek ticket in elections, and enlightened Greeks will be prepared to vote them into parliament.

It is all like an echo of the days of Lennox-Boyd, Harding, Radcliffe and so on, with the roles absurdly reversed, and the archbishop looking more like a British colonial administrator every day. The Greeks look like being as wrong in their assessment of the Turks as the Colonial Office frequently was in its assessment of the Greeks. There may be a groundswell of frustration, even disaffection, around Ataturk Square, but this mood falls a long way short of "collaboration with the enemy."

As a first counter-measure, the fifteen Turkish deputies have held their own "parliament" and extended their own terms of office as well as that of Dr Kutchuk. They will probably hold further special sessions, so that Nicosia will have the comic spectacle of two rump parliaments operating at opposite ends of the city. The big question, however, is whether the Turks will go further and proclaim a separate Turkish Cypriot republic. On the whole, this seems improbable. Despite the fulminations of Mr Denktash, who after a period in the shadows has come back to life with a bang, many of the more responsible Turks realise that their pockets of territory do not add up to a Katanga. Besides, as Dr Kutchuk has just reiterated, the 1960 constitution is still sacrosanct. In effect, every step the Turks take is in the direction of a separate state; but each move will be represented as within the framework of the existing Zürich constitution.

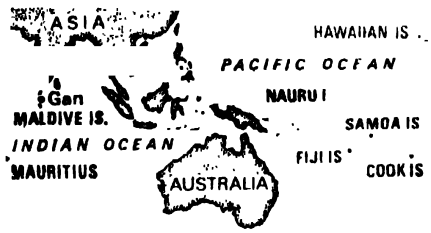
As always, the key to the crisis will probably lie in Ankara. Although there has been some sabre-rattling from Turkey—a blunt warning note to Archbishop Makarios, the reported alerting of the Turkish air force, a special meeting of the cabinet—the Turkish government's first reaction has not been precipitate. Obviously it is watching closely the course of events in Greece. If there is a chance of resuming the dialogue with Athens which the current upheaval has brought to a halt, then the Turks may stay their hand. But if the Greek crisis goes on and virtually paralyses the Greek government's capacity to conduct effective diplomacy and to restrain the Greek Cypriots, then obviously Ankara will be sorely tempted to take advantage of the situation—which might conceivably mean something drastic. In this situation Britain, as the only guarantor power in a position to do anything, may have to play a more active role in Cyprus diplomacy.

Meanwhile, all eyes are focused on Athens. The establishment of a rightish Centre Union administration, possibly under Mr Stefanopoulos (the solution now being canvassed here), would be relatively agreeable to Ankara, but would horrify the Greek Cypriots, who regard Mr Stefanopoulos as the man who "let the Turks into the Cyprus question" in 1955, when he was Greek foreign minister. More recently Mr Stefanopoulos infuriated the Greek Cypriots by obliquely referring to Archbishop Makarios as the "satanic influence" which had blocked the chance of a settlement last summer.

Whatever happens in Athens, there are bound to be repercussions in Cyprus. Already there are signs that the delicate relations between the Greek Cypriot national guardsmen (predominantly pro-Papandreou) and the Greek army officers (predominantly pro-monarchy) have worsened although Turkish reports of serious clashes cannot be confirmed. In the laconic and faintly bloodcurdling words of a Turkish radio commentator, August looks like being an interesting month in the eastern Mediterranean.

SOUTH SEA ISLANDS

Floating free



THE liquidation of the British Empire has got to the pernickety stage of trying to tidy away thirty small remaining dependencies whose populations total only five million. Most of them are scattered across the oceans in the form of islands, or island groups; on the principle that a girl can never have too many pearls, it was an unstated axiom of the age of British naval supremacy that the blue on the map always looked better when the dots on it were coloured red. Now, from Ascension to Christmas Island, the question of the islanders' future presents all its little complexities: financial, constitutional and sometimes racial.

On Monday the colonial secretary, Mr Greenwood, got back from Aden just in time to preside at the opening of the Fiji constitutional conference in London. On the same day, an agreement was signed in Colombo ending British protection over the Maldives and confirming their full independence. Within the next few weeks a constitutional conference is due for Mauritius, which has lately been jolted out of a rather relaxed approach to independence by disturbances that brought British troops speeding to the island in May.

Meanwhile an interesting variation on the independence theme is just about to work out for the Cook Islands. Although these once British-protected islands have for sixty years been administered by New Zealand and are not among Mr Greenwood's responsibilities, the course now plotted for them deserves his attention.

These problems are trickier than the sometimes simple-minded approach of Mr Sori Coulibaly's United Nations committee on decolonisation allows for. In both 1963 and 1964 his committee solemnly demanded instant independence for Fiji, whose people showed their irritation with this uninformed talk. The present conference is concerned with fuller self-government, not with independence—and this at the wish of all parties.

Fiji's special problem resembles those of Mauritius and British Guiana. Plantation labour recruited from India, in the blithe days when the British were thinking more about quick profits than about eventual complications, has left it with an Indian community that makes up half of the population of 450,000; the original Fijians make up only two-fifths, but own most of the land. So far, communal conflict has been averted. But the Fijians' anxieties fully explain why Ratu Mara, their leading member in the elected legislative council, emphasised on Monday that "independence is not our goal"—whereas the leading Indian member, Mr A. D. Patel, expressed hopes of eventual independence.

No such racial rift troubles the 95,000 Maldivians. Although their 200 inhabited islands stretch across 500 miles of sea, they are one people, long united, if loosely, under a Moslem sultanate which accepted British protection in the nineteenth century. Since 1956 the British interest has concerned the staging airfield on Gan island in Addu atoll. In 1958 Mr Ibrahim Nasir, who had become (and remains) prime minister, tried to get the Gan agreement changed by withdrawing labour from the British base; the Addu islanders, who had found the base a more paying proposition than fish or coconuts, then seceded—and were not cajoled back until 1963. The new agreement confirms the British tenure on Gan until 1986, while ending British control of the Maldives' foreign relations.

Mr Nasir is not expected to use his new freedom in external affairs to seek the expensive prestige of a seat at Commonwealth conferences or in the United Nations. His model may be Western Samoa, which, since January 1962, has enjoyed complete independence but has saved its 110,000 people a lot of money by using New Zealand, the former administrator, as its agent for most of its external representation. The Samoan formula may help to resolve some of the problems that confront a good many mini-nations.

Ratu Mara and hostess

New Zealand may also be providing a further model for the most minute of all by its disposition of the 20,000 Cook Islanders. Three years ago they declined its offer of full independence. They have opted for free association. In April, in the presence of UN observers, they elected a new assembly by universal suffrage. It proceeded to adopt a new constitution that makes internal self-government complete, and enables the islanders, at any time they choose, to take over the external relations which New Zealand will until then handle as their agent, and to declare themselves wholly sovereign.

The Russians, Americans and British have all expressed certain reservations in the UN debates on the matter, and the Sori Coulibaly committee has been watching the whole thing with a rather baffled nervousness. But it looks as if the Cook process will yield a recipe that could have a tempting taste for other little island entities. It may point the way toward a solution even for tiny Nauru, whose 2,700 inhabitants, while showing a certain disregard for the bleak fact that the island's phosphate deposits will be exhausted within a generation, and turning down Australia's attempts to resettle them elsewhere, have been asking for independence in two years' time.

TRINIDAD

Growls in the sun

FROM A SPECIAL CORRESPONDENT
LATELY IN PORT OF SPAIN

TRINIDAD newspapers splashed colour photographs over their front pages to celebrate the announcement last week that the Queen would be touring the Caribbean in February. But the feelings of the Trinidad government towards Britain are not generally so charged with affection. At the weekend, the prime minister, Dr Eric Williams, followed up his complaint that he had been "drafted" by Mr Wilson for the Vietnam peace mission with other criticism of the Commonwealth conference centring on the charge that Caribbean issues were brusquely pushed aside. And, for good measure, he suggested that Britain's immigration problems were being "grossly exaggerated."

At the bottom of this growling is the semi-permanent dilemma of Trinidad and Tobago: they are rich enough to be envied by their neighbours, but not rich enough to respond generously. After suffering the ups and downs of sugar, the growth of the oil industry and now of a refinery has given them the basis of wealth for years ahead:

it is a local boast that in average income they rank among the world's thirty richest countries. But with a galloping birth rate this does not take them far enough, and the official figure of unemployment is 15 per cent. The fear is that when Britain tightens control on Commonwealth immigrants, West Indians from poorer parts, like Antigua and British Guiana, will turn even more than before to Trinidad.

Already almost a quarter of the million people of Trinidad and Tobago have come from elsewhere. A loophole in the present regulations allows any Commonwealth citizen who has lived there for two years to stay for ever. There are plans to tighten these regulations, and Dr Williams is wary of joining any free trade area for fear it might involve free movement of people too. One of the objects of Mr Forbes Burnham, prime minister of British Guiana, in making a free trade area of his country with Antigua and Barbados seems to be to bring all the pressure he can on Trinidad. But in a week when there were moves to ban several non-Trinidadian things—from bananas to lawyers—he could not expect much success.

People are suggesting that Dr Williams is losing friends at home as well as outside. Since his People's National Movement has been in power for nearly nine years perhaps this is inevitable. The return this week of the opposition leader, Dr Rudranath Capildeo, may show whether there is much that is deep-seated about the present discontent. While Dr Capildeo was away in the highest realms of mathematics at London University, opposition politics were a bit wild: his deputy was claiming the right to refurnish the senate with some radical friends and the oil workers' president, Mr George Weekes, was saying that he intends to use the unions' strike fund to build a palace and start a newspaper. Since legal strikes have been made vastly more difficult by the recent Industrial Stabilisation Act, Mr Weekes's idea may be read as either submissive or sarcastic.

It is clearer which adjective applies to Trinidad's calypso king, Mighty Sparrow, who mimics the prime minister in his latest song "Get to hell outa here." Yet though Dr Williams is criticised for high-handedness, few give the Democratic Labour party much chance against him in the elections next year.

His problem is not how to keep in power but how to use power profitably. There is gloom around the sugar estates which badly need mechanisation. Although new jobs are offered in tobacco-growing, the unions oppose the necessary changes. Neither cocoa nor citrus is doing as well as was hoped. Three years ago, in time for independence, Trinidad built what must be the most dreamily luxurious hotel in the Caribbean, but officials are now saddened to find few tourists in it: last year's haul of 60,600 tourists in the two islands was a record but not a very proud one. Their franker friends tell them this is because they do not approach tourism with the same gusto (Trinidadians would say vulgarity) as their Jamaican rivals.

GERMANY

Dr No from Russia without love

FROM OUR BONN CORRESPONDENT

THREE James Bond films—*Dr No, From Russia With Love,* and *Goldfinger*—are doing extraordinarily good business in west Germany this summer. The success makes one wonder why German producers, so long hangers to the jackpot, cannot turn out anything comparably attractive when so much adaptable cloak-and-dagger stuff is being performed in earnest under their noses. Perhaps it is because espionage, sabotage and thuggery are too seriously close at hand in Germany, at least in the memory of older people.

These reflections are not prompted solely by last week's press reports that Frankfurt houses the headquarters of NTS, the Russian emigré organisation that is alleged to have tried to use Mr Gerald Brooke as a subversive messenger to Moscow. In fact, it seems that Frankfurt no longer has this distinction. It would probably be more to the point nowadays to look for NTS's brains in Paris or London.

Narodno Trudovoy Soyuz (usually translated as popular labour alliance) was founded in 1930 by emigrés from Czarist Russia, who cultivated branches in several European capitals. After the last war the organisation's anti-Soviet activities were conducted mainly from Frankfurt, not without some practical encouragement, it is surmised, from the American intelligence agencies working in the area. NTS smuggled leaflets into the Soviet Union and ran a "clandestine" radio transmitter nearby Sprendlingen. This transmitter, from which messages were broadcast to the Hungarian insurgents in 1956, was put out of action by an explosion in June, 1958. In July, 1961, NTS's Frankfurt printing press suffered a like blow; so, in 1963, did another of its presses near Munich. It was about this time that the chief of its Frankfurt headquarters, Dr Porensky, moved to Paris. Since then, it seems, the Americans have taken less interest in its exploits.

Yet although Russian emigrés and their adversaries are no longer as conspicuously active in Germany as they used to be there has been no lull in the cloak-and-dagger trade in general. Here are some of its public manifestations during the past three months:

- May 16th. The head of the Polish military mission in west Berlin, Vladislav Tykocinski, asked the Americans for political asylum.
- June 8th. An attempt was made to shoot the Jugoslav vice-consul in Munich after he had responded to a bogus call for help from Meersburg on Lake Constance.
- June 25th. Sentences were passed on the Croats incriminated in an attempt to blow up the Jugoslav trade mission at Mehlem, near Bonn, on November 29, 1962. (The house porter was killed.)
- July 1st. Berislav Dezelic, a former Croat diplomat, who has been described as "a nuisance to Tito," was shot dead in his flat at Düsseldorf. His wife and daughter were wounded. The assassins, it seems, fled by taxi to Saarbrücken and France.
- July 19th. The Bavarian television station showed a film pillorying the mischief of foreign agitators and pointing the inevitable moral that the government "should do something about it."

The government (somewhat discouraged by French disdain for its repeated protests at the kidnapping of the OAS member, Colonel Argoud) is indeed giving thought to the problem. But because of the large number of persons involved it is having some difficulty in reconciling supervision of political activities with maintenance of political freedom. Nearly 200,000 political emigrés and refugees from eastern Europe are living more or less permanently in west Germany, most of them having been stranded there at the end of the war.

Of these some 50,000 are Poles, 23,000 Jugoslavs, 20,000 Czechs and Slovaks, 20,000 Ukrainians, 19,000 Balts (excluding German Balts), 18,000 Hungarians, 11,000 Russians, and 30,000 Bulgarians and Rumanians. It is estimated that some 15,000 (approximately 8 per cent) are members of one or another of the 180 groups formed to fight political causes, and sometimes each other (the Ukrainians, Croats and Slovaks being the most spirited).

A new law will come into force on October 1st which lays down that while resident foreigners may engage in politics and form political organisations they may not do so to the detriment of Germany's interests. It remains to be seen how intelligently the law will be applied. Meanwhile, charitable organisations and individuals are being advised to keep an eye on the ultimate use of the subscriptions they give to worthy-sounding emigré causes. (The federal ministry for refugees is reviewing the justification of its contribution of 16,000 marks last year towards the upkeep

of holiday camps for Croat children and the periodical *The Croat State*.) The tone of the speakers at last weekend's rally at Munich of the "Anti-Bolshevik Block of Nations" revealed how deeply the political passions and prejudices still lie. It was discouraging to hear the secretary-general, Prince Nakaschidse, flatly dismiss hopes and signs of some liberalisation in the communist states as "just a lot of nonsense" intended to diddle the innocents of the western world.

INDIA

Shastri shows his teeth

FROM OUR INDIA CORRESPONDENT

MR SHASTRI, who is now visiting Marshal Tito, left India on Wednesday with a particular sense of satisfaction. For while the All-India Congress Committee meeting over the weekend at Bangalore achieved nothing—all important issues of domestic and foreign policy were bypassed—it confirmed the supremacy of the Shastri-Kamaraj axis within the party.

The confrontation came on Saturday night, when Mr Shastri's rival, Mr Morarji Desai, threatened to leave the committee if a resolution passed in 1958 forbidding the party president to run for a second term was rescinded. It was rescinded. Even Mr Desai's apparently staunch allies deserted when it came to the crunch. Mr Kamaraj will now be formally re-elected in December, and with Mr Shastri's explicit support will control the party machine until after the general election in February 1967.

It was plain that Mr Desai had pressed his opposition too far for a future rapprochement, even though he did not, in fact, resign. His eclipse should now enable Mr Shastri to put forward his own policies with greater assurance, ending the hesitations of his first year in office, when he was obviously feeling his way. For instance, when Mr Desai and others criticised the agreement he had negotiated with Pakistan over Kutch, Mr Shastri, riled by tactics that may damage his cause in the forthcoming parliamentary debate, withdrew the resolution seeking party approval and blandly made a take-it-or-leave-it statement on his own.

He can scarcely do the same with the urgent decisions needed to pull the economy out of its present crisis. The World Bank, representing western aid-givers, is suggesting a basic change in tactics to allow free pricing rather than predetermined priorities to determine the bulk of investment decisions. Reliance on the public sector as the main driving force is not being questioned, nor are the major targets set for the next plan. But the bank argues that too much centralised planning and distorted price relationships have got the economy in a mess that needs clearing up.

Mr Shastri has not yet taken a clear stand but the finance minister, Mr Krishnamachari, seems disinclined to go along with all the bank's ideas. His attitude could affect overseas enthusiasm for the plan. If so, India would have to slow down development or squeeze more resources from within. A lively debate is now developing.

We apologise to Aden's chief minister, Mr Mackawee (left), and to the federal finance minister, Mr Basendwa (right). Misled by a wrongly captioned photograph, we last week published a picture of Mr Basendwa and called it Mr Mackawee.

COMMON MARKET

Rebel broodings

FROM A BRUSSELS CORRESPONDENT

NOTHING that happened at the "rebel" meeting held by five of the six members of the common market's Council of Ministers in Brussels on July 26th softens the crisis of the European community. The five created a precedent by meeting without France, but two of them—Belgium and Luxemburg—are unhappy about this; for the time being there is no question of taking decisions without a French representative. In the event, the European Commission's much-heralded compromise proposals on farm finance turned out to be another source of division rather than a factor making for unity.

The Council of Ministers has now packed up for its long summer vacation, leaving the situation wide open for any initiative anyone may care to take. M. Pompidou's television address on Tuesday night has left men in Brussels as gloomy as ever. It was taken as pretty well confirming the suspicion that France is now more interested in cutting the community's institutions down to size than in agreeing on the technical details of farm financing. The commission, on the other hand, as its president Dr Hallstein told the press on Wednesday, has tried to mend the thread where it snapped a month ago. Its compromise proposals were an attempt to fill in the outline solution that began to emerge before France broke off the discussions on June 30th. July 1967 remains the date for the completion of a unified farm policy and a customs union—all the Six have accepted this. But the compromise suggests that the political aspects General de Gaulle dislikes—the scheme for a federal budget, for instance—should not be put into effect until 1970; at least four members were agreeable to this solution.

If the rest of the farm policy can be sewn up quickly, then the full scheme for financing the community's agriculture can be introduced in 1967 (though by relating members' contributions to the farm fund to their food imports last year the commission hopes to guarantee Germany and Italy against becoming victims of their trade pattern in future). The agreement will be for five years, which should meet one point the French were insisting on.

At the next Council of Ministers meeting—fixed for October 7th and 8th—the Five will be able to discuss the proposals more fully, though Holland and Italy already think that the commission has gone about as far as it can. But by October the most pressing problem may be not to decide the best tactics for bringing France back into the work of the community, but whether the Five should have the courage of their convictions and go ahead without France. On Wednesday Dr Hallstein said that the international tariff talks due at the end of the year would take place, and that the Council of Ministers would use majority voting next January, as the Treaty of Rome prescribes. But decisions have to be taken, and taken soon. The Germans already fear that the Kennedy round of tariff talks will be affected by the community's paralysis. By October such considerations are likely to be worrying some of Germany's partners too.

ISRAEL

Escape from the Sabbath

FROM A CORRESPONDENT IN ISRAEL

ISRAEL'S National Religious party has failed in its attempts to push through a law defining what shall not be done on the Sabbath. The Sabbath Rest law, as the religious parties want it, would have laid down what was forbidden on the Sabbath, not what was permitted. It would also have left local authorities free to introduce further restrictions—but not to introduce any relaxations. This was too much for the coalition partners in Mr Eshkol's government to take.

Since the new law was supposed to be a "social legislation" measure safeguarding

One eye—with a thousand views!

This is a bee's eye. Its thousand lenses give the bee a thousand different pictures of its little world, which it fuses into one coherent image. Clever bee.

Mobil, in terms of assets third largest of the international oil companies, has a thousand different pictures of the great world of industry and transport, and keeps them clear, distinct, and separate. That puts us one up on the bees.

In pioneer research, in production, and in product development, the Mobil organisation is as busy as a hive of bees—and has been so for nearly a hundred years. Mobil fuels and lubricants are chosen for a large share of the world's transport by road and rail, sea and air; industry uses not only Mobil fuels, lubricants and heating oils, but other Mobil petroleum products, which contribute to the manufacture of linoleum and lipstick, perfume and paint, cold cream and carbon paper, and a thousand other present-day necessities.

Big users of Mobil products with access to data processing facilities have at their service a new management tool—Mobil MI/DAC (Management Information for Decision And Control). This system provides, more swiftly, lucidly, and accurately than ever before, information on which management decisions can reliably be based.

And that puts us one up on practically everybody.

Mobi

Mobil Oil Company Limited,
Caxton House, Westminster, S.W.1

"I know Japanese machine tools are go but where can I get the full story?"

Many foreign businessmen find themselves in this kind of quandary. They don't want to spend the time and money making a direct survey of every manufacturer of the product they're interested in. Yet they want to be sure of getting the best in terms of price and quality. And they want to get the best possible credit terms and after-service.

If you have similar problems, you'll find your best solution is to contact a trusted, integrated Japanese trading organization like Marubeni-Iida.

FREE PRODUCT DATA

With its vast experience and staff of 7,000 trading specialists, Marubeni-Iida can provide you with detailed information on any Japanese product — from industrial plants to kitchen ware. Chances are our overseas branch will have all the information you'll need. If they don't, they can telex for it immediately from our head office.

Once you've made your decision and placed your order, we will take full responsibility from there on. We will place the order, prepare all documents, obtain necessary government licences, arrange for shipment, delivery, payment, after-service, etc. We make trading with Japan easy and headache-free.

With 45 domestic offices and 78 overseas branches and affiliates, Marubeni-Iida is thoroughly familiar with trading patterns both in Japan and abroad. Our independence and long-established reputation for efficiency and fair-dealing are your assurance that your interests will be fully protected at all times. For further details contact our nearest office.

Traders with Global Coverage

Marubeni-Iida Co., Ltd.

LONDON OFFICE: Moor House, London Wall, London, E.C.2. Cables: MARUBENI LONDON EC2. Telex: UK23285, 21716. Telephone: MET 0840-0849
HEAD OFFICE: P.O. Box Central 1000, Osaka, Japan Cable Address: MARUBENI OSAKA. Telex: OS-3261, 3262
TOKYO OFFICE: P.O. Box Central 595, Tokyo, Japan. Cable Address: MARUBENI TOKYO. Telex: TK-2326, 2327, 2328

the right to one day of rest a week, the minister of labour, Mr Yigal Allon (a member of the left-centre Achdut Avodah party) was responsible for introducing it. But the phrasing of the law would probably have put an end to Sabbath activities—such as theatre performances—previously permitted in some areas of Israel. Mr Allon objected that this infringed the agreement between the religious parties and other members of the coalition that the status quo in religious matters must not be altered. He therefore refused to bring the law before the Knesset; the religious group refused to consider a proposed compromise; and the law was shelved.

The National Religious party had previously succeeded in introducing an Anatomy and Pathology Law which, over the objections of the medical profession, specified that post-mortems must not be performed without the prior agreement of the dying man or his family. But the Sabbath Rest law was too close to the religious group's heart for its shelving to be accepted easily. A belligerent party statement hinted that the group might refuse to co-operate in a future Mapai coalition, and in the last week of the fifth Knesset's life (which ended on July 22nd), the religious party voted against the government on several issues.

The trouble is that without the support of the twelve members of the National Religious party, Mr Eshkol's government has a minority in the Knesset. Having lost 7 members to Mr Ben-Gurion's new party, Mr Eshkol directly controls only 48 votes in a house of 120. While most Israelis by no means regretted the continued absence of a Sabbath law, Mr Eshkol's prospects of forming a government after the September elections have not been strengthened.

A letter from Belgium

Should Belgium be abolished? This question, offered in The Economist *of July 17th, has elicited the following jeu d'esprit. On Tuesday in Brussels a new Catholic-Socialist coalition cabinet was sworn in.*

SIR—I happened to read your article on July 21st, the Belgian National Day, while a Te Deum was being celebrated at the Ste Gudule Cathedral to thank the Lord for "Belgium's recovered national independence."

You may be assured that in none of the speeches was there any reference to the decisive assistance the British lent the Lord on that occasion. One should not think however that Belgians are just being petty or ungrateful.

Certainly, on other occasions, on Armistice Day for instance, they do find words to express their gratitude to the British. But when it comes to the "recovery of national independence" it is a must to omit the British contribution, to profess that this was an act of divine justice and thus avoid any possible suggestion of Belgium being an artificial creation or, as you aptly put it, an invention.

Please do not misjudge my compatriots, though. It is a most uncomfortable position they find themselves in, being—by the grace of God—nationals of an invented nation.

Like an illegitimate child searching the world for a father, they dug into history to find a justification for King and Country and they must be credited with doing a pretty good job at that. They scrutinised all past events, leaving some aside as is customary, occasionally slanting others and blowing a few ones out of any proportion. They even went all the way back to Julius Caesar and were fortunate enough to discover—to their great amazement—that he had once written in his "De Bello Gallico" that "Belgae" were the bravest of all the savage Gallic tribes.

At the beginning of our independence all went fairly well—thanks to general backwardness and a convenient lack of communications. Country people continued to use, as they had done in the past under the Spaniards, the Austrians or the French, the particular patois of whatever group they belonged to.

Then came World War I, which had a twofold effect. The most noticeable one was to unite most people around King Albert, le Roi Chevalier, and the legend usefully formed to surround him. The less conspicuous one was promoted by the German occupants. It was the birth among some Flemish groups of a strange sense of belonging to the great Germanic family.

For obvious reasons, this idea of a great Germanic family was played down after the last war. Nevertheless the Flemings had been emotionally "awakened." They switched tactics and started, under the convenient umbrella of Benelux, to promote a closer rapprochement with the Dutch who willy nilly are being drawn upon to back up the fight against the continuing and apparently irresistible expansion of French culture.

In a gesture of conciliation, Flemish (a refined form of various patois) had been accepted a long time ago as an official language on the same footing as French. Now, officially, the language is Dutch, and campaigns have been launched urging the Flemings to speak "Algemeen Beschaafd Nederlands," to the dismay of many Flemings who feel a natural dislike not only for the accent but also for the unashamed inclination on the part of the Dutch to use words of French origin.

Whether or not the great Germanic family is still the ultimate aim of the growing number of Flemish extremists, their next and most urgent step is to stop the expansion of French. That is why, in order to insulate themselves from pernicious French contact, they first thought up federation. Any extension of French culture is considered by them a "grondroof" (soil-robbery). They have done away with French-speaking government schools. And now they want, through constitutional reform, to have the legal power to prohibit the use of French in their part of the country. As you can see, apartheid is being applied in Belgium with Boer-like obstinacy.

As to the Walloons, I would like to qualify somewhat your article. It is not quite right to say that they dominated the country since its invention. The ones who did so really were that new breed called "Bruxellois": the result of a cross between Walloons, Flemings and a few odds and ends. Most of them are, in fact, Flemings turned French-speaking. Hence their terrible accent and strange manners which have earned them the famous name of "Beulemans."

The Walloons have always considered the whole thing as a strictly Flemish problem and lived in blissful ignorance. But recently it suddenly dawned on them, especially after the last elections, that the Flemings are now a determined majority ready to run the country. That is why there are few extremists among them, though things may now change rapidly.

It was the Walloons who were at the heart of the revolution which in 1830 ended the 15-year unnatural marriage to Holland. The whole idea of the revolution was to return to France. For the people of Liège, which represented at the time roughly a third of the country, it was the natural thing to do as they had never been "Belgian" before.

When their revolution was on the point of failing in front of well-organised Dutch troops, they called the French to the rescue. The French came and won. But that did not make us French. Opposition from London resulted, on the contrary, in making us all ambiguously independent in an invented Belgium.

Truly, this was a masterpiece of British diplomacy. It should never bring to mind any reference to other cases which on the surface might look similar—like the one of Cyprus for instance. The Belgian case is unique in that there are no Belgians. That is why it seems to me entirely fitting that the British, having laid such an egg, should ask themselves the question whether it should now be abolished or not.—Yours faithfully,

"JEAN FOUTRE."

THE WORLD □ AMERICAN SURVEY

Measured Steps in Vietnam

WASHINGTON, DC

ONE effect of the long build-up that preceded the Administration's new decisions about Vietnam—the press conference hints, the mission to Vietnam headed by Mr McNamara and the week of conferences that followed his return—was that by this week the expectation of grave steps was general. What the President announced on Wednesday was the least of the various combinations of measures that had been talked about. Mr Johnson decided against calling up reservists or National Guardsmen at this stage, nor did he propose to lengthen the terms of men now serving in the forces. Those steps would have required either the declaration of a state of emergency, or a message to Congress requesting powers of mobilisation. By avoiding them he has avoided those ugly words, together with the alarm and depression which their use might have caused abroad. He has also avoided, for the present, the unpopular dislocation of private lives which a call-up of reserves entails. To the extent that the voluntary recruiting effort which Mr Johnson announced fails to do the trick, the burden is to fall on the young men of conscription age. The monthly call-up, now running at about 17,000 men, is to be raised to 35,000. But this will not happen all at once. Mr Johnson spoke of raising the monthly draft call "over a period of time." The Navy, which normally manages without compulsory servicemen, has asked for 4,500 conscripts in October.

It would be premature to indulge in feelings of relief that the measures announced on Wednesday are less horrendous than they might have been. The defence expansion is still on. Mr Johnson is not so short of troops that he cannot afford to go about it deliberately. If the build-up is to be more than an empty demonstration, it has to be done stage by stage. The troops need installations that they can use, acclimatisation and training for the special conditions in Vietnam and a part to perform when they get there. In this stage, Mr Johnson announced that the Airmobile Division and some other troops would be sent immediately to Vietnam, raising the American fighting strength there from 75,000 to 125,000 men. He made it plain that more would follow.

Naturally Mr Johnson took the occasion to reassert his willingness to negotiate, putting the main onus on the communist government in Hanoi, but adding this time that the Vietcong (the communists in South Vietnam) would find no difficulty in being represented at talks if talks were held. He announced a new attempt, this time through Mr Goldberg who was approaching U Thant, to get the United Nations to help. But there was nothing to indicate how the United Nations might go about it or what such an approach could be expected to achieve. The protestations of yearning for peace with which Mr Johnson accompanied his announcement are, of course, utterly sincere, but they too are without practical effect.

To tell which way events are going it is necessary to look at the philosophy behind the military measures, and this looks unbending. Honour was at stake, the President said. The communists had to be convinced that the United States could not be defeated by force of arms. If America let itself be driven out of Vietnam, other nations could never have confidence in American protection. "Retreat does not bring safety and weakness does not bring peace." These are uncannily close to the motives for fighting which Mr Walter Lippmann in his last two articles had been begging the Administration not to entertain.

Matters of State

WASHINGTON, DC

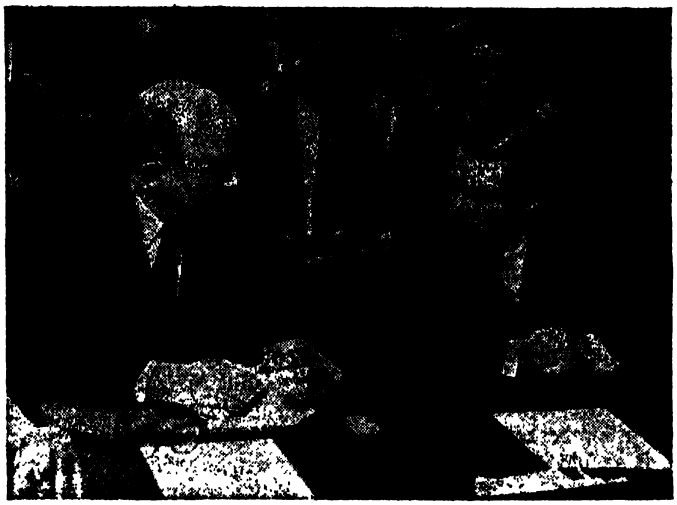
SOMEBODY is always hoping that something will be done about the State Department. Since it is never easy to say just what it is that has to be done, any course of action boils down to replacing the Secretary of State. Thus it is Mr Dean Rusk's lot to be more frequently replaced by gossip than any other eminent member of the Administration, but he survives. President Johnson had one opportunity to replace him when the new Administration was formed in January, and did not take it. Asked recently to comment on reports that Mr Rusk was to go, he said nothing of the kind was true: "He ranks first in the Cabinet and he ranks first with me." That might have disposed of the matter for a while, had not Mr Adlai Stevenson dropped dead the next day. Very soon it was being supposed (by people in the Administration, as well as outside it) that the President might ask Mr Rusk to lead the delegation at the United Nations and appoint a new Secretary of State, who might have been the present Secretary of Defence, Mr Robert McNamara. But the President chose Mr Justice Goldberg to take Mr Stevenson's place, leaving Mr Rusk and Mr McNamara where they were.

These rumours expressed the wishes of people who earnestly want to see new leadership at the State Department. It seems evident that if Mr Johnson had shared their wish, this would have been the moment for him to act upon it, getting rid of Mr Rusk with the least possible indignity. But the discussion looks like being kept alive by the ample flow of what a disapproving Republican Congressman, Mr William Widnall of New Jersey, calls "instant history" by members of the late Administration. Mr Theodore Sorensen and Mr Arthur Schlesinger were among the first to leave the White House after President Johnson took over; both are publishing instalments of books due to come out in the autumn. *Look* magazine last week carried Mr Sorensen's account of the unfortunate Bay of Pigs operation against Cuba, with a number of admissions which no official source has yet made. Mr Schlesinger's recollections of the Kennedy Administration are appearing in *Life* magazine; his third instalment dwells on the late President's dissatisfaction with the State Department and with Mr Dean Rusk, and states that President Kennedy before he died "had reluctantly made up his mind to allow Rusk to leave after the 1964 election and to seek a new Secretary of State."

History told by an actor who has just walked off the stage is unhelpful to those other participants who are still up there playing their parts; they are apt to feel that their late colleague has taken their trousers with him. As reflected by Mr Schlesinger, the late President's feelings about the State Department and its head are very much the feelings of informed critics today. This is not to say that they unquestionably hit the nail on the head, or that they are wholly consistent with each other. By Mr Schlesinger's account, Mr Kennedy wanted the State Department to be at once more, and less, than it believed itself to be. Thus, Mr Kennedy wanted to be his own Secretary of State, directing foreign policy from day to day; he would be the source of ideas, the department would be the "agent of co-ordination." He complained when it refused

to change its attitudes in response to his prompting. Yet he thought it too soft and characterless, " a bowl of jelly " ; he blamed it for acquiescing tamely in the Bay of Pigs adventure and for failing to provide quick answers and quick action as other departments did—notably the Defence Department under Mr McNamara.

This contrast between the Department of State and the Department of Defence, and between Mr McNamara and Mr Rusk, continues to be made, and usually to the disadvantage of the Secretary of State and his department. The dilemma which it implies is, perhaps, the biggest problem of government that President Johnson has to face at the present time. Mr McNamara's achievement at the Department of Defence since 1961 has been remarkable. Admittedly his problems there were special. To some extent it must be an illusion to suppose that by transplanting the same approach and methods to the State Department, comparable results would be achieved. True, he can fairly be credited with having made the strategic doctrine, and the organisation, of the United States forces more flexible and better able to respond to the range and variety of calls which outside events may make upon them. If the diplomatic machine could magically be endowed with similar qualities, that would be an excellent thing. But Mr McNamara's success has been achieved in a field of action in which the United States government is sovereign and self-contained.



Still the Secretaries of State and of Defence

His tasks are interminable, but they involve decisions which it is in Mr McNamara's power to make, always provided that he keeps the support of the President and can get the assent, however grudging, of Congress. To get as far with these tasks as he has done required enormous qualities—a lucid and discriminating intelligence, a brain capable of keeping great quantities of information instantly accessible, an unbreakable physique and unflagging zest for the job. They would be useful qualities anywhere. But they have not enabled Mr McNamara to get results in his own foreign relations comparable with those achieved in his domestic domain. Thus his tenure of office has seen an approach to a common strategic doctrine by the United States services but not by the powers of the North Atlantic Alliance. This was not for lack of trying on his part, but the only effect of his efforts to explain the logic of modern war has been to confirm dissident Europeans in their old-fashioned particularist notions—with repercussions that have brought American civilian diplomacy in Atlantic affairs to a standstill as well. Few people would blame Mr McNamara for the failure to control the course of events in Indo-China. This is a field where American diplomacy and American military efforts have so far proved equally ineffectual.

Reasonably or not, Mr Rusk's credit has suffered more from that failure than has Mr McNamara's. The Department of Defence has to shoulder a bigger burden; its efforts are visible and its influence expands visibly. The men charged with the conduct of diplomacy are in a much more dispiriting position, boxed in apparently on every side, the adverse course of events in Vietnam depriving them of any power of initiative not only in the Far East but also, as they patently believe, in Europe as well. Thus the State Department men went off to Geneva for this week's resumption of the disarmament talks convinced that they could expect no serious approach from the Russians to any arms control agreement, however limited, at a moment when the American war effort is being intensified in Vietnam. On the organisation of Atlantic nuclear forces they were boxed in already, at least until the next west German government is chosen and installed. The State Department could see little to do but reassure the existing west German government that nothing would be done at Geneva to prejudice the chances of a multilateral Atlantic nuclear force.

Thus the lines are etched deeper on the unhappy image of the State Department drawn with such zeal by its old enemy, Mr Schlesinger, in the late President's name, as a hidebound, negative, overgrown, pen-pushing bureaucratic machine existing for the forms of diplomacy and dead to its substance. Its awareness of the fact that its fortunes are at a low ebb would not help the State Department to break out from its box, even if it could honestly see a direction in which the break could be made. President Johnson shows nothing but courtesy and respect to Mr Dean Rusk, who is unfailingly present at the endless series of conferences to plan the next phase of the Vietnamese war, but there is hardly a sign of a diplomatic contribution to what has come to be accepted with resignation as overwhelmingly a military problem.

Planners in the Defence Department, indeed, have been known to show irritation that even such vestigial political thinking as is still being done about Vietnam is, in large part, left to them. Mr McNamara and his staff, for their part, can expect to be attacked as ruthless centralisers and penny-pinching economisers for any shortages that are brought to light in the military establishment by the impending programme of expansion. These inevitable criticisms are heard already. But shortages can be made good quickly in an economy that is not overstretched. Mr McNamara should have no difficulty in maintaining that it would not have been sensible to produce larger quantities of old types of equipment against a need which might not have arisen. If there is to be a military effort he will be, as ever, the indispensable man.

How far it is just to blame the State Department for the frozen condition of diplomacy remains inscrutable. Some of the late President's strictures were deserved and little was done to meet them ; they are not less deserved now than they were then. But the State Department does not make the world ; it does not even, by any means, make the whole of American foreign policy. Something is persistently wrong in its relations with the American public: when the department is prudent, the impression created is one of timidity, and when it deliberates on the repercussions that action taken in one direction will have on events in another, the impression is one of negativism. Possibly the truth, or a part of the truth, lies in an element too often hidden in American public opinion, a yearning for an American civil diplomacy that would be decisive and fertile in action, content to leave caution and deliberation to the defence establishment. That it is usually the other way round may be in the nature of things, but the diplomats get the blame for it.

Home for Labour Day?

THAT President Johnson can be a ruthless taskmaster was shown when he told a weary Congress that he had enough legislation in mind to keep it busy until November. Congressmen, who have been hoping to adjourn by Labour Day—the first Monday in September—are well aware that they have enacted a mass of legis-

lation which adds up to the greatest revolution in social welfare in America in three decades. Mr Mansfield, the Democratic majority leader in the Senate, was bold enough to tell the President that there was no reason why all the Great Society Bills had to be passed this year. But restless or not, Congress is still co-operating. This week it sent to the White House a Bill authorising $6 billion over the next four years in federal aid for housing and urban renewal, including a much-debated scheme to give rent subsidies to families with low incomes. It has also sent for the President's signature a " Medicare " Bill giving elderly Americans help with their hospital bills. The House of Representatives has piled more funds than the President requested on to Bills raising the pay of servicemen and financing the celebrated " war on poverty." What should really have pleased the White House was the House's approval by a narrow margin on Wednesday of a controversial Bill which would authorise the " union shop " (compulsory union membership for all workers covered by a labour contract) wherever trades unions and managements agree to it. Since 1947, to the dismay of the unions, a section of the Taft-Hartley Act has permitted states to outlaw the union shop. Nineteen do so, mostly in the South and West. The President promised organised labour, in return for its overwhelming support during the election, to repeal this so-called " right-to-work " clause. But his Bill's passage was by no means certain in the House until Democrats from northern industrial areas promised their colleagues from the rural midwest that they would, in exchange for votes on the labour measure, support the sweeping farm Bill due on stage soon.

' Big Trek—Much Game—
When We Go Back To Villages ?'

Why should Congress not adjourn in a few weeks ? One possible barrier is the determination of Mr Dirksen, the minority leader in the Senate, to launch an amendment to the Constitution, permitting the people of a state to allow their Legislature to allocate seats in one of its chambers on the basis of geography or a political division (such as a county). Mr Dirksen wants to undercut the Supreme Court's ruling that in all States Legislatures both houses must apportion their seats on a basis of population, giving, so far as is possible, " one man one vote." The Dirksen amendment's chances were darkened considerably when it failed to get the approval of the Senate Judiciary Committee. But Mr Dirksen has carried his handiwork to the Senate floor, promising that, if necessary, he will " hook it onto anything that comes along." Senate liberals, opposed to the amendment, which favours the rural areas, are equally willing to spend " all summer, all fall and all winter " to keep it from getting the necessary two-thirds vote. Even without protracted debates and new commands from the White House, Congress has enough on its plate to keep it busy at least until October. It might be more realistic, as the *New York Times* has suggested, for Congress to stop pressing for early adjournment, to take a holiday and then, after Labour Day, to go back to work like everybody else.

Educated Choices

WASHINGTON, DC

PRESIDENT JOHNSON'S appointments continue to dumbfound those who expect him, as a professional, to put convenience above substance, without letting down the admirers who count on him for shrewdness and ingenuity. Mr Anthony Celebrezze, the former Mayor of Cleveland who has been Secretary of Health, Education and Welfare since 1962, is an energetic and widely liked man but nobody would claim that his conduct of his unwieldy, miscellaneous department has been any great shakes. He is to return to Ohio as a federal appeals judge. In his place Mr Johnson has appointed Mr John Gardner, lately President of the Carnegie Corporation and of the Carnegie Endowment for the Advancement of Teaching.

The Department of Health, Education and Welfare has been an underprivileged child since its birth in 1953, when the Eisenhower Administration was anxious above all not to appear to favour undue federal interference in social policy. Neither its powers nor its scope have been what they ought to be, and its leadership has been persistently undistinguished. But this year has seen, if words mean anything, an abrupt rise of education in the scale of national priorities. With Mr Gardner's appointment, education is given a representation in the Cabinet that matches its higher priority. He has done distinguished work at the Carnegie Foundation in prodding the world of education into life and stimulating improvements in quality and methods. He was the highly effective chairman of last week's White House Conference on Education—the first to be held since 1955. The case for a hiving off of a separate Department of Education remains. But with an eminent educational innovator at the head of HEW and with its powers enlarged by the primary and secondary education Act, the department may hope for bigger and better achievements in this field.

By moving Mr Goldberg last week from the Supreme Court to the delegation at the United Nations, Mr Johnson secured a vastly promising representative there and also made room on the Supreme Court bench for an old friend and ally. But Mr Abe Fortas, the new Justice, is well qualified on his own merits and experience. A Jew, a Southerner, a former Yale professor and government servant, he is an old New Dealer like Mr Johnson himself. A reformist rather than a revolutionary, he seems likely to maintain the balance of the Supreme Court much as it now stands.

Small Steel's Big Gains

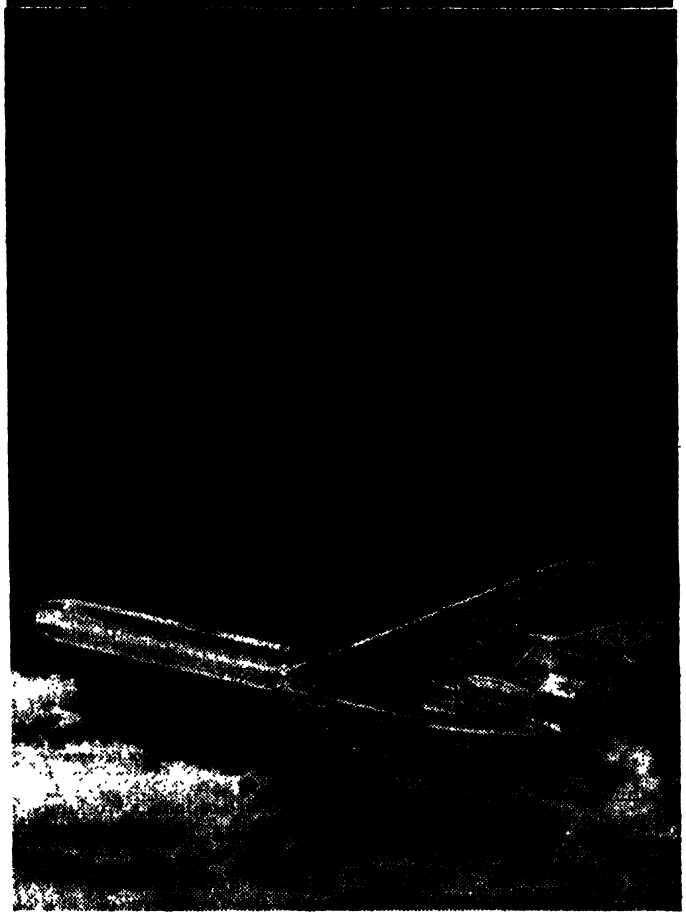
FROM A CORRESPONDENT IN PITTSBURGH

THE great prosperity of the steel industry during the past two years has led many small mills to pour capital into new equipment designed both to expand their capacity and to turn out types of steel, including high quality sheets, structural steels and bars, which previously were the province of the big producers. A dozen or so new companies have entered the field since 1959. This is helping to stem a long-term drop in the number of producers and to reverse the concentration of production in fewer hands. The ten largest firms have already seen their share of the market drop to about 79 per cent from 85 per cent in 1955. And with anti-trust laws what they are, the smaller concerns are safe from take-over bids by the big ones.

These smaller mills become more important when there is a risk of a steel strike, as there is today. Late this week the steelworkers' union is expected to set September 1st as the date for a strike—though agreement on a new contract may be reached before then. The small firms turn out only a fourth as much steel as the ten big ones but they will be the only producers still operating if there is a shutdown. Remembering the 116-day strike in 1959, users of

business in West Africa?

get off to a flying start



The success of a business visit abroad is often decided *before you leave*. You need to be familiar with local customs and conditions, information on hotels, and on transport facilities, etc!

Ghana Airways will be pleased to offer advice and help on business in West Africa. And to complete the service, they will fly you direct to Accra—the business centre of West Africa—in only 6½ hours. You choose from three flights every week (two direct): all *daylight* flights, all by VC.10—the world's most comfortable jetliner.

VC.10 Super Jet Service		Tue. Fri.	Wed.	Sun.
London	Dep	13.30		00.45
Amsterdam	Arr. Dep			10.35 11.05
Zurich	Arr Dep.			12.40 14.00
Rome	Dep.		17.15	
Accra	Arr	18 45	21 45	18.45

Get full details of Ghana Airways routes and timetables from your local travel agent, or write direct to:

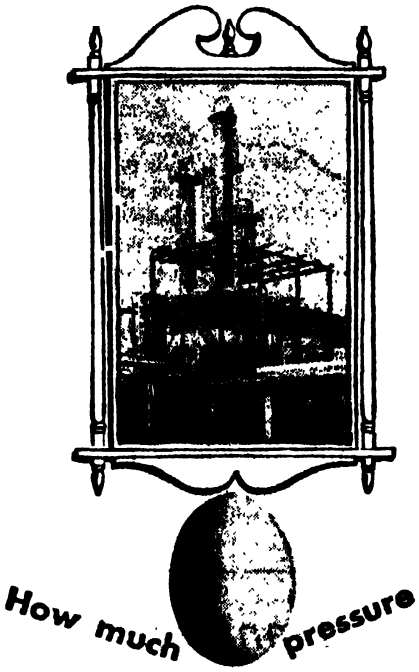
GHANA AIRWAYS 8 New Bond Street, W.1
Telephone: Hyde Park 1791 or Victoria 8121

Head Office: Ghana Airways Corporation, Ghana House, Accra

Ghana Airways

THE GREAT AIRLINE OF AFRICA

Always at your service



an egghead take?

This egghead enjoys the pressure of responsibility. He's Mr. Oshima, the manager of a JGC project team that just built Japan's first synthetic ethanol plant. Like all of the 1000 eggheads at JGC, Mr. Oshima is an experienced project engineer. And he knows how to manage projects that are firsts.

This synthetic ethanol plant is a good example of Mr. Oshima in action. His project team had to engineer, procure and construct the plant. Including a synthetic ethanol unit with a 6.6 million gallon a year capacity. And all off-site facilities. Predictably, the plant went into operation right on schedule.

We like to think that Mr. Oshima's kind of engineer is the reason why so many companies come to JGC first for their chemical plants or processes. The customer for this synthetic ethanol plant came directly to JGC. So did the customers we built Japan's first 2 Isomax units for. What does this mean to you? Briefly, if you have a chemical plant or process in mind, you'd do well to try JGC first. See what kind of contract and project team we have to offer in oil refineries, petrochemical, coal tar, natural gas chemical, fats and oils, fertilizers, synthetic resins—you name it. Wherever you want to build the chances are good that we've already been there. Some of the places where we know the people and how to procure materials are: India, Pakistan, Burma, Korea, Formosa, the neutral zone between Saudi Arabia and Kuwait, and Latin American countries such as Puerto Rico, Venezuela and Peru.

Put your plant or process under a responsible, dedicated project manager like Mr. Oshima. Try JGC first.

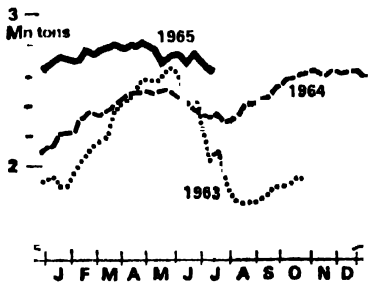
Engineers & Constructors

JGC JAPAN GASOLINE CO., LTD.

New Ohtemachi Bldg., Chiyoda-ku, Tokyo, Japan

steel are placing some orders with these little mills—the American Iron & Steel Institute lists about 85 of them. The output of steel has begun to decline, but the small firms, along with their big rivals have enjoyed a long boom as users of steel built up their stocks as insurance against a possible strike.

Weekly Steel Output



Even when there is no threat of a strike the small mills play a part greater than their size would warrant in holding down steel prices. For one thing, if a small company cuts a price to land a big order it is not confronted, as a major producer would be, with pressure to make the concession country-wide. The big firms usually resist the temptation to engage in any open price warfare but the little mills have been an important element in lowering the price of such things as stainless steel, wire and concrete reinforcing bars. Moreover, the small mills are often outside the big steel-making centres and purchasers who are nearby get the benefit of low charges for transport. Even though the little firm may provide only a small share of the steel needed, the general practice in the industry is for more distant mills to charge no more for transport than the closest one.

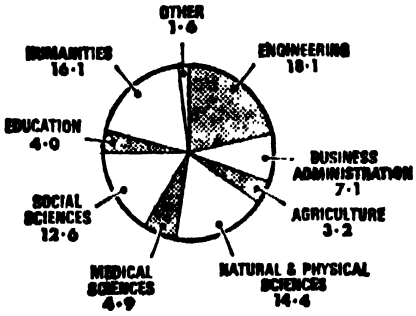
A third factor benefiting the small mills and contributing to their growth is the recent big decline in scrap prices. Most of them make their steel in small electric furnaces, which use scrap as their principal raw material. But the big mills have been switching increasingly to high-speed oxygen furnaces, which use mostly molten iron from blast furnaces. One result of this switch, and of other steps to increase the efficiency of the blast furnace and to lower iron-making costs, has been a decline in the demand for scrap. A key grade now sells for $38 a ton or less, up from $32 a year ago but far below the $65 which it fetched in 1956. This is a great saving for the small mills. When the demand for steel falls off—as it will when there is a labour settlement—scrap prices will probably be pushed down again. It is no wonder that some of the major producers are irritated when the government, by granting loans at low interest rates, encourages small mills to start up in depressed areas. Meanwhile there is continued pressure on the big producers to keep their prices down; most of them have just been fined for conspiring to fix them. One of the cases stemmed from the clash

Cosmopolitans on Campus

Henry James would be surprised. When students from Europe attend American universities, as more than 10,000 did in the academic year just past, they tend to study languages, literature and philosophy rather than such specialities of the New World as engineering and business administration. The Institute of International Education in New York reports that, among the 82,045 foreign students who were at American universities last year, the 11,200 who came from the Near and Middle East had the strongest enthusiasm for engineering; 36 per cent of them studied it, as did 25 per cent of nearly 30,000 from the Far East. But among the 6,800 Africans, social science tended to be the favourite subject and for the 13,600 Latin Americans humanities held the lead.

Last year the ranks of foreign students in America continued to grow, with about 8,000 more on hand than in 1963-64. The IIE's figures suggest, however, that this increase came from students prolonging their stays. Only 30 per cent of the crop were new arrivals. Another 30 per cent had already been studying in America for three years and the IIE has noticed that unusually large numbers of students do not answer the question asking how long they have been in America. Perhaps there is some justification for the feeling in other countries that their students do not exactly rush home from America and the fears that they may settle there permanently, tempted by high pay and good working facilities.

WHAT THEY STUDY
Figures show thousand students

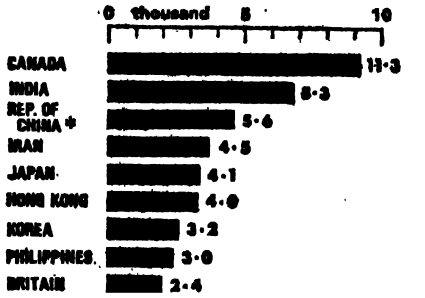


California had among its various educational establishments the largest number of foreign students, 16 per cent of all those in the United States. New York ran second and Howard University, a Negro institution in Washington, DC, kept its distinction of having the highest proportion of foreign students enrolled.

More and more, the student from abroad tends to be financially independent. While five years ago only 30 per cent did not need financial assistance, nearly 40 per cent were on their own in 1964-65 (the majority of these were from Canada). When money was needed, it was most frequently provided by the universities themselves. They supported 23 per cent of their foreign students; the American government assisted about ten per cent while foreign governments supported another six per cent.

The traffic in international education is by no means one-way. The IIE reports that there were 18,092 Americans studying abroad in 68 countries in 1964-65, but also allows that there were surely large numbers of others undetected. France was the first choice for study abroad, followed by Canada, Mexico and Britain. Nor is the exchange confined to students. Last year there were 3,794 American professional academics working or studying abroad—13 per cent more than in the previous year. And there were 9,000 of their foreign colleagues in America, double the numbers of five years ago.

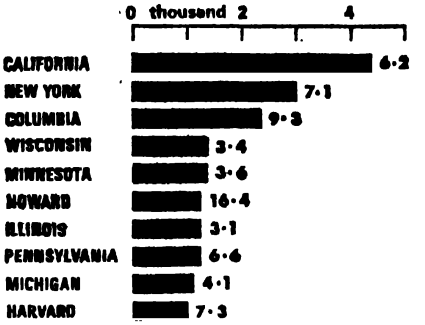
WHERE THEY COME FROM
Countries with most foreign students in the US



Figures are percentages of the total number of foreign students (82,045). They come from 159 countries and territories

* *Excluding 2,160 students whose country of citizenship was given as China but who were not necessarily residents of Taiwan.*

WHERE THEY GO
Universities with most foreign students



Figures are percentages of foreign students in total enrolment at each university

Source: *Open Doors 1965*, published by the Institute of International Education, New York.

over prices between President Kennedy and the industry in 1962, but the other was brought last year.

What worries the big steel companies right now is the pressure which the small firms can exercise over the major producers' negotiations with the trade union—precisely because the little mills are in no danger of being shut by a strike and, if there is one, are free to raid the preserves of the big concerns. Occasionally a small company may reach an agreement with the union which sets precedents that are hard for the big ones to ignore. The Alan Wood Steel Company, near Philadelphia, did so early this year in some key areas of job security. More recently the McLouth Steel Corporation of Detroit made some wage concessions. But the biggest blow was that in the spring, just before the big mills agreed to extend the contract with the union for four months, the Wheeling Steel Corporation, a somewhat more sizeable competitor, walked out of the joint bargaining group maintained by the eleven largest firms, promising the union anything the big mills agree to in return for not being shut down itself.

Safety First or Last?

WHY, with the public's appetite for new motor cars seemingly insatiable, should a rueful manufacturer from Detroit call this the "Year of the Serpent"? The answer was clear at recent hearings of a Senate subcommittee on auto safety at which the motor industry's leading executives were ridiculed fiercely by Senators Ribicoff and Robert Kennedy. They lead the band of Congressmen who feel that Detroit is not making motor cars—which caused the death of 48,000 Americans last year—safe enough. Mr Kennedy was particularly harsh with the chairman of the board of the General Motors Corporation who testified that his company had given a million dollars to the Massachusetts Institute of Technology for research into car safety. That sum looked feeble beside the corporation's profit of $1.7 billion last year, all the more so since it had not been offered until the subcommittee's hearings were scheduled. Fairly or not the inquiry, held with the object of considering whether the federal government should set safety standards for automobiles, put the motor industry in an unflattering light. General Motors seemed not to know of a survey showing that the doors of its cars were more likely to come off in a crash than those of its competitors. And the Chrysler Corporation admitted that some of its 1965 models had possible weaknesses in steering which were not made known to buyers.

Manufacturers now seem in a hurry to modify their products before Congress, with a new itch to tinker with cars, starts laying down the law on how models should be designed. Five leading makers are proud of the crash programme in which they have produced a mechanism to meet California's law that all new cars be equipped with devices to control the escape of fumes from the exhaust pipe; these are a major source of the choking blend of smoke and fog which 97 per cent of Californians endure from time to time. The devices, adding less than $50 to the cost of the car, will be incorporated in those of the 1966 models which are to be put on sale in California. But the Senate has already passed a Bill which makes it likely that by 1967 the entire country will make the same anti-smog demands for new cars as California now does, and exhaust control is on the list of 17 safety requirements which the General Services Administration will insist upon by 1967 in the 60,000 or more cars that it buys for the federal government each year. But the Ford Motor Company, eager to comply with the GSA demands, has announced that exhaust control will be the only device among the 17 listed which it will not install as standard equipment on its 1967-model cars. Ford feels that more research is needed before what California wants is seen to be useful in all parts of America.

What inhibits the manufacturers somewhat is the conviction that speed and power are what sell motor cars. In 1956 the Ford Motor Company introduced a "lifeguard" package of safety devices, including seat belts, and was rewarded by a drop in sales. But times may have changed. Traffic accidents are on the list of Americans' six biggest worries. State Legislatures outside California are reflecting this. Maryland has become the first to set standards for the safety of tyres and New York has allotted $100,000 for the design of the safest possible car. But whether potential buyers of new cars will be willing to pay the extra cost of the special features (which include padded instrument panels and rear seat belts) is by no means certain.

Spotlight on Crime

THE Johnsonian crusades for a Great Society and a More Beautiful Capital can hardly succeed if the growth of crime races ahead of the increase in population. This harsh truth has led President Johnson to set up commissions on crime to see what can be done, both in the District of Columbia and in the country as a whole. The District Crime Commission was created earlier this month when it became known that serious crimes in the capital increased in June for the thirty-seventh month in a row and were more than twice the number reported in 1957. Hardly had the commission been appointed and 235 policemen and detectives begun to work an extra day a week, when Washington was shocked by the news that the wife of a State Department official had been raped by four youths as she walked her dogs in a park during morning rush hour. Yet the annual report of the Federal Bureau of Investigation shows that the capital is no worse that the rest of America. The national rate of serious crime rose 13 per cent in 1964 compared with 1963, the greatest increase appearing in the supposedly quiet suburbs. The dreary statistics showed that since 1948 crime has grown six times faster than the population; more than half of last year's offences were committed by young people under eighteen years of age, and, unhappily, Negroes were involved in a disproportionately large number of arrests.

Mr Herbert Hoover, the ageing head of the FBI, has his own theories about the declining number of crimes solved by police. He blames "restrictive court decisions affecting police prevention and enforcement activity." He has fallen out with his superior, Mr Nicholas Katzenbach, the new Attorney General, who dared to suggest that the FBI suffered from professional jealousy of other organisations in the field of crime detection. Mr Katzenbach, who will head the national crime commission, can be counted upon to see that the survey is as penetrating as the President meant it to be, inquiring into the causes of crime and into modern methods of treating delinquents and rehabilitating offenders. The undertaking, the first systematic study of crime as a national problem, will also look into the ways in which justice is administered in state and local courts. Under Mr Katzenbach, the Justice Department is making a clear shift away from the "cops and robbers" approach of its investigative arm, the FBI. The department this week urged the abolition of the death penalty for first degree murder, even though Congress is about to make the assassination of a President or a Vice President a federal offence punishable by death.

SHORTER NOTE

Silver will disappear from dimes and quarters—ten cent and twenty-five cent pieces—and will be cut from 90 to 40 per cent in half dollars under legislation sent to the President by Congress last week. The Bill includes a five-year ban on the minting of silver coins—that is, the silver dollars so beloved in the West.

BRITAIN

Airy University

It is now perfectly clear that it is possible to teach serious subjects in a serious way to advanced students by means of broadcast programmes received in the pupil's home. The notion of a University of the Air, for long supported by this journal, and even blessed by the Prime Minister himself, can be realised. The latest set of arguments in its favour is contained in a pamphlet* from Nottingham University, describing a series of 13 programmes on economics prepared at that university with expert advice from the staff of Associated TeleVision who showed the programmes in their Midlands area.

The programmes were linked to a specially prepared handbook, giving suggestions for further reading: tutors were available to give some personal attention to students who enrolled for the course, and the students were enabled to send in written work to their tutors as a check on their progress. Of the students who bothered to enrol, 1,347 were private persons working at home. More than half were men, and more than half had left school at 16 or under. And very nearly half of them completed twelve written exercises. Many more people may have drawn some educational benefit from the endeavour: the total cost, using capital equipment already in existence for other purposes, was a net £24,700.

By any account, this is dead cheap. The money would be well spent, if it were only meant to help a few voters understand a bit better what they vote about. But the purpose should be much wider: this evidence should be added to that already provided by (among the most energetic campaigners) the apostles of the Advisory Council for Education at Cambridge. A real nation-wide organisation for tele teaching should be the next step.

What should be its basic organisational principles? First, broadcasts (by steam radio as well as by television) should be linked, as they were here, with written documents, and with the advice of a tutor: the end result should be an examination, the granting of a certificate to those of a sufficient standard, and the receipt by those reaching this standard of bursaries for six months of full time study leading to the award of a degree. It is worth remarking that the ATV/Nottingham programmes achieved their successful follow-through scores despite the fact that they ran right up to the Christmas holidays, and were put on the air at 12.15 on Sundays, with a repeat on Mondays at 10.50.

In fact all British experiments in the use of domestic television receivers for educating those who would otherwise be out of the reach of education have been cabined away at odd hours when nobody else happened to be wanting to transmit anything. For really mass support, programmes would have to be put out at reasonable hours: the commercial companies would have to accept the loss of a few viewers, and the BBC would have to drop its Reithian stand against splitting education into a different channel from entertainment. On the money side, capital equipment and qualified staff separate from that of the regular broadcasting concerns would have to be provided.

But what about the unpopular BBC2's shiny new equipment—which could raise a bit of the money needed by showing the usual tele-tripe at peak hours and in the vacations (sport would fit in well here) and bagging a bit of the advertising revenue. It would, to begin with, all be rather risky, fairly expensive, and a touch open to ridicule from the traditionalists. But this is true of the new universities, too, which are far more costly. And there are not going to be any more new universities of bricks and mortar for a generation. Seriously, why not a new one in the air?

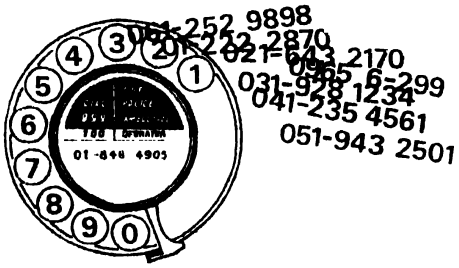
*Teaching through Television. By Harold Wiltshire and Fred Bayliss. *National Institute of Adult Education.* 5s.

Teach-in, Smeech-in

It was a clever idea to gull the BBC into screening a 3-hour discussion on "Getting Britain Moving" by calling it a "teach-in." Nothing so beguiles the middle-aged as the chance to look up-to-date. But it is hard to imagine that anyone rushed out into the night afterwards with wild looks and a fervent desire to export more or administer better. Six speakers (including such mature young Turks as Fred Catherwood of the Department of Economic Affairs and Lord Robens of the Coal Board) made speeches that were followed by comments, rarely very critical or penetrating, from a small audience of managers, university dons and trade union leaders. The lingering impression when it was over was of energetic optimism, freely generated. But this sort of pious exhortation is usually left to the government or Sir William McFadzean; in a teach-in, a meeting of (modestly) competent men at a (relatively) intelligent level, one hoped for something more stimulating than the usual old bromide slipped in the tea. Of course we all love change and naturally we want more technology and adult education: we can also say, without fear or favour, that we have implicit faith in, are determined to see it through to the end of, will at all times keep our minds open to and shoulder our responsibilities. We were saying it before ever we sat down in front of the television.

Mr George Brown and Mr Edward Heath, who both had pressing engagements elsewhere, might have livened things up a bit; but even they would have had a problem with so pious and predictable a subject. The BBC should not be discouraged by this flop. The format is a good one for more taxing discussions. And in future ones it could well remember that this only came to life when the cranky trade unionists and salesmen shouldered their way to the screen — something BBC producers shouldn't have to be told.

POST OFFICE



The Postmaster General's announcement that over the next three years letters in telephone numbers will give way to digits has annoyed those who feel that the right telephone exchange, like the right postal district, guarantees the status of an address. But the change was necessary for three reasons. The new system will provide a large enough number of combinations to deal with the expected increase of subscribers for the rest of the century; it will facilitate international dialling since the three main non-digit countries, the United States, Canada and France, are all getting rid of letters; and it will relieve the pressure on trunk exchanges in Britain by allowing switching centres to be set up each with their own code for an area, so that calls from any part of the country or world can be routed to the right centre.

Dialling under the new system will be a little easier, remembering telephone numbers for a long time but not for a short time

will, the psychologists suggest, be a little more difficult. Of course, it has become one of those delicate nuances of English status seeking to recognise that a home number starting BEL.gravia and an office number starting MONarch is a combination providing its own prestige. This is one of those fine old new traditions that the country can afford to forget.

Moreover, since the change had to be made, the sooner the cheaper—£1 million is estimated to be the cost. And if numbers will be less smart, directories will be smarter: a ten-year contract has been awarded to Thomson Directories Ltd to sell advertising space in all telephone directories from 1966 onwards. Nearly £3 million is now spent annually on directories: they should now look better, and cost the post office less.

For the accounts for 1964 which were published on Thursday are not very encouraging. The total profit fell from last year's figure of £30.7 million to £20.1 million, which represents a rate of return on capital of 6.9 per cent—the target is 8 per cent. The fall was caused by an increased loss on the postal services, £19.6 million against last year's £7.8 million. Tariffs have of course been raised, but probably the increases on parcels (which lost the Post Office £10.3 million last year) have not been enough; the parcel service will certainly not break even next year. Telecommunications have been more profitable: they had a slightly increased profit of £39.7 million this year. The black sheep in this particular flock is the inland telegrams service, with a loss of £2 million at a monstrous rate of return of minus 34.7 per cent. The charges for this declining service have not gone up, because it is regarded as a social service for those who do not own telephones. But between one-third and one-half of the total number were greetings telegrams: it really seems a bit odd for the state to subsidise birthday parties in this way.

It is, however, the projected shortfall on the target for the postal services up to 1970 which is really frightening (telecommunications which are not labour-intensive will continue to do well). It is expected to be £71 million, even assuming that the gross national product will grow by 25 per cent and that all increases in wages paid out will fall within 3½ per cent per annum. (Mr Benn can say that again.) The increased tariffs will no more than check the drop into insolvency. Short-term measures to increase productivity have been taken, mainly by using more female and part-time staff, but the long-run mechanisation of the posts must be the real solution. Automatic sorting has started. There is far more to be done. The friendly postman may yet have to go. And it is no disrespect to Postmaster-Generals of either political party to suggest, as did Rowland Hill (and more recently Mr Ernest Marples) that changes might proceed more continuously and more smoothly if like the other nationalised industries the Post Office had a non-political head administrator. Dr Beeching never longed to be loved by the electors.

RESTRAINT OF TRADE

Pills and Property

HARD times work wonders for solidarity. The professionally conscious pharmacists are trying to prevent chemists' shops from selling any goods other than those traditionally associated with them. The right of the Pharmaceutical Society to enforce its members' decisions is being challenged in the High Court by Boots, the multiple chemist whose own diversification, and expansion, would be seriously curtailed by the rule. Boots and the other multiple chemists have to belong to the society because only its members may practise pharmacy at all. But for some time now the public has become used to finding the multiple chemists stocking, say, gardening equipment and gramophone records, just as it has become used to supermarkets selling toothpaste and cosmetics. The chemists alone among retailers can call in professionalism in restraint of trade which is no longer protected through price maintenance.

It is this sort of behaviour which makes one suspicious of the motives of the estate agents, who are once more attempting through a private member's bill to limit the business to registered practitioners under the control of an Estate Agents Council. Codes of conduct are fine so long as they are not the excuse, as they so often are, to keep out new enterprise as well as sharp practice. It is significant that the only type of conduct which the bill specifies that the council may cite as disgraceful is "touting for business" and "particular methods of publicity."

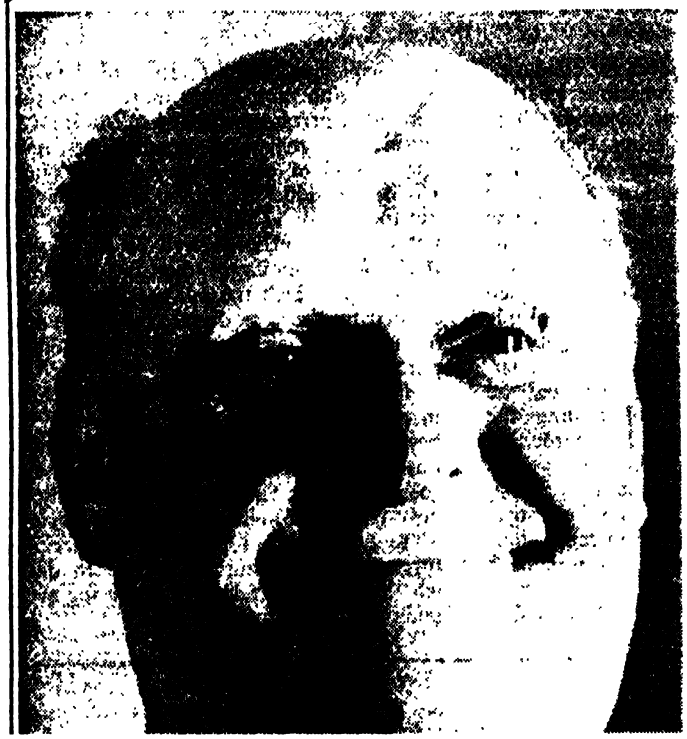
There are certainly some dubious corners in the estate agency field. But surely the best weapon in the hands of any group of businesses or tradesmen who choose to observe certain rules which they really believe produce a higher standard of service is to tout as hard as possible the merits of this service—leaving the public to decide whether it agrees rather than forcing everybody else to conform by law.

TORY LEADERS

Showing off

THERE was no convention, no banners flying, no songs or shouting. The new Tory leader was elected by the elect 298 Tory MPs who were physically present in Westminster last week. Certainly this electorate might have allowed itself to be influenced by what it fancied to be the public will—by, for instance, the findings of the *Daily Mail* National Opinion Poll which, as published on Tuesday, showed Mr Maudling clearly leading in public esteem. But there was really something rather odd about the various public ploys adopted by the three candidates for the leadership during the run-up period. Mr Maudling, in a double-breasted serge suit, made his unfortunate wife kick a football around in her high-heeled shoes. Mr Heath, notoriously wifeless, borrowed some god children and went for a classless family picnic in a south coast car-park. They were, perhaps, following the example set by Mr Harold Wilson during the last contest for the Labour party's leadership, when he set down to mend his bike in the front parlour. (One has almost forgotten to mention that photographers happened to be present on all these auspicious occasions.) But it would be nice if British politicians, playing the game of my-public-relations-are-better-than-yours, either took a little professional advice as the Americans do (think of Mr Nixon and his television pooch), or followed the example of Mr Enoch Powell, this week's third contestant. Wearing his remarkable Amish hat, he told a television reporter who was puffing down a railway platform for an interview: "You are wasting your time."

"I've been robbed!"



How to get travellers cheques refunded on the spot

You may not know it (or you may know it to your cost), but if you lose travellers cheques abroad, you usually have to wait till you come home to get your money back. And in some cases, you *never* get it back.

Buy cheques wisely

There is *one* company that will refund your money without making you go home to get it. American Express. The 400 American Express offices normally make refunds to their customers within 24 hours. Often within the hour. And they have arrangements with hundreds of travel agents who can also help you get a quick refund. This is the difference between American Express Travellers Cheques and others—a difference that will certainly save you time, trouble and embarrassment and could easily save your whole holiday or business trip.

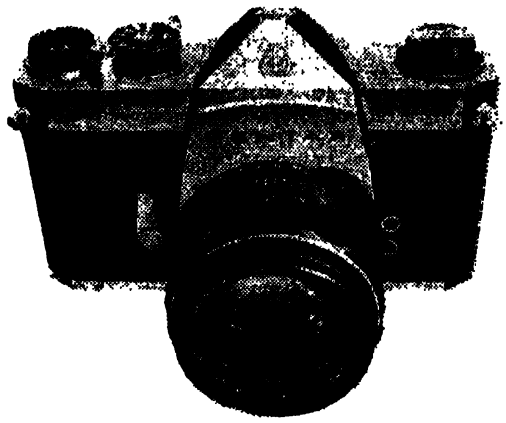
So think

And before you next buy travellers cheques, be sure not only that you can spend them all over the world, but also that you can get your money back *on the spot* if you lose them. You can, if they're issued by American Express. Order from your bank, travel agent, or The American Express Company Inc., 6 Haymarket, London, S.W.1. Offices also at: Belfast, Birmingham, Dublin, Edinburgh, Glasgow, Liverpool and Southampton.

AMERICAN EXPRESS

EC-65

プロ作家用の
高級自動カメラ



Have You Seen an Automatic Camera for Professionals?

The Spotmatic was designed and developed not for beginners, but for professionals. Meticulously constructed. Beautifully balanced. Smooth. Precise. Incredibly accurate. Its meter is invisibly built in. Highly sensitive and completely integral. It reads your exposure through the taking lens, from your subject's image *in focus* on the viewing screen *(in focus on the film plane)*. Reads exactly what your lens sees ... the lens sees what your film records. No parallax. No exposure adjustments. The most ideal and accurate method of exposure determination. Yet, its operation is extremely simple. Beginners can use it too. Easy.

Try it at your dealer's soon, or write for your illustrated literature.

ASAHI PENTAX

ASAHI OPTICAL CO., LTD.
C.P.O. 895, TOKYO

BOOKS

Casuist of Catastrophe

On Escalation : *Metaphors and Scenarios*

By Herman Kahn.

Pall Mall Press. 324 pages. 42s.

Dr Herman Kahn, like Webster's Cardinal, is known for being " troubled in a question about hell." To deal with unimaginable situations by the light of human logic is necessarily a theological operation, and rubrics such as " Will the living envy the dead? " in the context of a discussion of thermonuclear war inevitably recall such disputed points of scholastic debate as whether or not the spectacle of the torments of the damned in hell form part of the pleasures of the blessed in heaven.

Dr Kahn has been the casuist of catastrophe. His weighting of alternative evils appears to reinact the anxious debates of Molina or Escobar on the respective heinousness of the more intricate types of sin. Casuistry is not popular. Indeed, it gives great offence to those who believe in sinlessness or nuclear disarmament. If Dr Kahn has not yet found his Pascal, it is an indication of the lack of literary ability among those—and they are probably numerous—who are shocked at thinking about the unthinkable.

His latest book on escalation (or " an increase in the level of conflict in internation crisis situations ") illustrates both the advantages and the drawbacks of his method. On the credit side are many *aperçus* into the nature of warfare and foreign policy. Dr Kahn has worked out more clearly than has yet been done all the varieties of crisis behaviour in a nuclear age, from diplomatic bluster to simply firing everything off and going home to die oneself. Not everyone would be prepared to regard a distinction between this latter process and what is listed as " civilian devastation attack " as having much significance for the average citizen. Dr Kahn (and this is where he shocks people) is always prepared to work for a cataclysm that shall fall short of Armageddon by .000003 per cent. He believes, in short, that governments should keep things under control and have their strategies ready to modify the course of even the most terrible events. For instance, it seems to be clear that civil defence and the evacuation of cities could be integrated far more into strategy than they are at present. To evacuate one's cities in a crisis would in itself be an act of escalation, but it would at least be one that would avoid loss of life if it came to a nuclear exchange. To have such measures prepared gives any state an added degree of flexibility in its responses to an opponent's actions. Similarly, ' city-swopping,' coldblooded as it sounds, is an acceptable alternative to just blazing away.

Since it seems unlikely that we shall reach the year 2000 without some of the conundrums Dr Kahn describes being actually posed to governments, it is as well that a little preliminary thinking should be done about them. But such thinking is anything but concrete. In writing about the effects of thermonuclear war Dr Kahn was dealing with something which had physical results that could to some extent be calculated. Escalation, on the contrary, is a dialectical process even when it simply occurs between two opponents. There enter into it, as it proceeds, emotions such as fear and anger to disturb the judgment of statesmen and prevent the rational appraisal of situations. How often do politicians appraise a situation rationally anyhow? Even computers can hardly prevent the world being changed on account of the shape of Cleopatra's nose or the constriction of Mao Tse-tung's arteries. What is wanted for statesmen is, not so much strategic theology, as tactical spiritual exercises.

Moreover, it is very unlikely that only too sides will be involved. In Vietnam the United States now has to deal with a crisis in which the confrontation is with a great power (China) through a smaller power (North Vietnam), with another great power (Russia), bound to North Vietnam by ideological ties and the desire to act as head of the world Communist movement, hesitating over what action to take. It is very difficult to see how this one could be played by any sort of rote. Perhaps a type of war-game, in which diplomacy and warfare were mingled, could breed a state of mind sufficiently flexible for solutions to be worked out to even the most abstruse problems. But when one compares Dr Kahn's ladder of escalation with what is now going on in Vietnam, it does not offer any very obvious guidance to what President Johnson's next step should be.

However, that is perhaps not quite the point. Dr Kahn's purpose will have been achieved if he makes his readers realise that international conflict is a more complicated affair than it seems, that there is a considerable road to travel from the first use of nuclear weapons to all-out nuclear war and that, since sin is likely to remain with us, we had better try to limit the damage. The fact that the board is sometimes upset (or that there is lechery behind the arras) should not make us disbelieve in the utility or the validity of his rules for our modern game of four-dimensional chess.

The City's Contribution

The City in the World Economy

By W. M. Clarke.

Institute of Economic Affairs. 247 pages. 42s.

Good books on the activities of the City of London no longer have a scarcity value. Even so, this concise, readable and eminently authoritative book by the Financial and Industrial Editor of *The Times* is sure to become a prime text for those who want to learn about the City, as well as compulsive reading for those who work in it (is that why these 250 pages are sold at the tycoon price of 2 guineas?). Only one fact leaves this reviewer bemused: Mr Clarke's report of an outflow of $900 million in a single day in March, 1961: our later information was $140 million.

The particular merit in Mr Clarke's book is that it straddles three elements in the City that are not often found in a single book. First there is a concise survey of the institutional structure of the City, with much prominence given to the most recent changes, always in its historical perspective. Secondly, Mr Clarke's particular contribution is an assessment of the City's overseas earnings. The fact that, in an earlier version, the book was originally written around this central question of the City's direct contribution to the British balance of payments still helps to give it shape and direction in this wider framework. Thirdly, as part of his general approach of asking how far the City's activities have been changed by recent developments and are likely to be changed by coming ones, Mr Clarke runs briefly over the wider and now widely discussed issues in international monetary arrangements. Here he concentrates, usefully, on the particular impact that these may have on the use of sterling as a trading and financing currency, and on the activities of City institutions at large. His broad conclusion is, not much.

Equally usefully, he points to the frequent confusion of two issues: " the relationship between the City and the role of the pound and the relative priorities given to full employment [economic growth?] and a stable currency." Mr Clarke manages to avoid the fixed emotional positions that often seem inseparable from either side of the stability versus growth argument, and steers as clear and cool a course between the opposing factions as seems humanly possible. But in the end reasonableness, too, can go too far: and the one point at which, to one reader at least, this book is not convincing is on the biggest policy point of all, whether the City's activities have or have not held up economic growth in Britain.

The Tax On Value Added

Clara K. Sullivan

In this first definitive treatment of the value-added tax to appear in any language, Dr Sullivan reviews the basic principles, the issues involved in defining value added, and the problems of administering such a tax. 340 pages. 72s. net.

COLUMBIA
University Press
6a Bedford Sq., London, WC1

Government Finance and Economic Development

This OECD publication contains the papers and proceedings of the Third Study Conference on problems of economic development held in Athens in 1963. It is a systematic attempt to analyse the present state of knowledge on fiscal policy as applied to the problems of developing countries. 30s. (31s. 3d.)

Yearbook of International Trade Statistics 1963

Contains detailed data for individual countries and basic summary tables showing *inter alia* the contribution of each country to the trade of its region and of the world, analysing the flow of trade between countries and describing the fluctuations of the prices at which goods moved internationally. (U.N. publication) £4.6s.6d. (€4.9s.9d.)

The Iron and Steel Industry in 1963 and Trends in 1964

Reviews the developments that occurred in 1963 in the iron and steel industry in OECD Member Countries, and in Canada and the United States. 15s. (15s. 8d.)

Prices in brackets include postage

HMSO

Government publications can be purchased from the Government Bookshops in London (post orders to P.O. Box 569, S.E.1), Edinburgh, Cardiff, Belfast, Manchester, Birmingham and Bristol, or through any bookseller

Mr Clarke himself judges, surely correctly, that abandonment of sterling as a reserve currency would not necessarily reduce its use as a financing currency. Equally, he points to the contribution that this function, together with the City's wider functions in international insurance, merchanting and the rest, make to the balance of payments—his new estimate is £170-£185 million for 1963, compared with £135-£150 million in 1956. This is about twice the earnings from exports of Scotch whisky—which also have no significant import content; it is some 4 per cent of total British exports. Yet the central point in the critics' case is that against this or some of this must be set the incalculable indirect hindrance to the other 96 per cent stemming from the City's resistance to the use of the normal last-resort competitive boost to all exports—devaluation. Mr Clarke never really gets to grips with this most delicate of issues. Most probably many City activities could withstand such an exchange upheaval; but the relevant point is that sufficient people in authority have believed that they would not withstand it.

The existence of this body of opinion with a particular interest in stability of exchange rates has undoubtedly influenced British official policy in resisting devaluation, even when a trading case can be made out for it; and has also put continual pressure on the Treasury to relax exchange controls faster than the balance of payments can stand. To say, as Mr Clarke does, that "the stronger the support for the pound the better for the City," rather begs the question. And surely one needs to have tongue in cheek in congratulating Neddy that in its first report it "did not pose the old question of either growth or a stable pound, but showed how sound expansion must depend on competitive exports." For it was then that Neddy produced the famous sentence about the need for a reduction in the price of home goods in relation to foreign goods, which is a way of (not) referring to devices which could be wage cuts or export subsidies but are more usually devaluation: and today, in the absence of any such devices, competitive exports are as far off as ever.

But if Mr Clarke does not take up this major policy issue, that is not at bottom the purpose of this book, which is undoubtedly the best and most up to date guide to the present structure of the City of London and to the changes in it that are most frequently discussed among insiders.

The English Kinsey

The Sexual Behaviour of Young People

By Michael Schofield.

Longmans. 330 pages. 42s.

The fact that its subject is fast becoming a great bore should not detract from the merit of Mr Schofield's book. His text presents his statistical findings clearly and readably, and though he writes with a proper scientific detachment, he enables his readers to feel an equally proper human interest.

The book is not really comparable to the two Kinsey reports. That monumental work was based on interviews with about 6,000 volunteers of each sex, a high proportion of them students, instead of on a representative sample of the population. Mr. Schofield's report, undertaken for the Central Council for Health Education with the support of the Nuffield Foundation, gives the results of interviews with a random sample of 934 single boys and 939 single girls, aged 15-19, in seven areas of England and Wales, three of them in London. Further, the Kinsey men and women were subjected to a more intensive and extensive cross-examination on their sexual behaviour than Mr Schofield and his associates would have allowed themselves to carry out on their boys and girls. But just as the Kinsey findings have become a work of reference in any discussion of sexual matters—for instance, on the prevalence of homosexual activities—so Mr Schofield's are bound to be prayed in aid in the ceaseless arguments about teenage morality or lack of it.

Thus, those who are still interested in the subject ought to read the book. They will get some salutary jolts to accepted beliefs. For instance, the sexually experienced young are not more likely to belong to the Registrar-General's lowest social classes. The type of school they went to had some influence on the sexual behaviour of boys and girls; but not much (age at leaving school was more important), and religious observance in their parents none at all. Parental indifference, rather than permissiveness, was certainly a factor; but what seemed more important was the feeling, instilled by public comment and criticisms, that their teenage companions were likely to be sexually experienced and that they were missing something. There is surely a moral here for adults.

Stolid Diplomacy

Salisbury and the Mediterranean, 1886-1896

By C. J. Lowe.

Routledge and Kegan Paul. 132 pages. 25s.

In Mr Michael Hurst's series of Studies in Political History there has only been one previous incursion into the field of nineteenth-century diplomacy, in a chapter of Mr Douglas Johnson's life of Guizot. In this brief sketch Mr Lowe attempts a reassessment of the great Lord Salisbury's Mediterranean policies. Unluckily for him, his book was commissioned before Dr Grenville's admirable "Lord Salisbury and Foreign Policy" appeared from the Athlone Press last year; for Dr Grenville covers much of Mr Lowe's ground with superior insight and skill.

The main discoveries of interest in Mr Lowe's book deal with Anglo-Italian relations, and their importance is vitiated by Italy's weakness at the time: it had no coal, so all the dexterities of a Crispi could not elevate the country to the status of a real great power. Mr Lowe disagrees with the received view of the Mediterranean agree-

ments of 1887, which Temperley and Penson laid down a generation ago. He follows Salisbury's private statement when the agreements were finally repudiated in 1896, and holds that they had never placed England under any bond to fight. In a clear and well-argued closing chapter, he shows the unity of all big political decisions. The Armenian massacres of 1895-96 made support of Turkey unthinkable for an English government. So it was no longer a cardinal point to keep Russia out of Constantinople. So it was no longer necessary to butter up the Italians, and otherwise please the Germans, in order to keep the Germans hostile to Russian designs on Turkey. So it was no longer essential to keep on the same side as the Germans in arguments about how to govern Egypt. So the way was open at last for an approach to France; from which a whole new grouping of alliances arose in the next ten years.

Mr Lowe has been reproached elsewhere for neglecting economic and social conditions in Italy. A more important defect in a work of diplomatic history lies in the lack of any close analysis of the balance of military and naval power in the Mediterranean basin. Strategic points are touched on from time to time, but seldom given full attention. This may fairly represent the diplomatic practice of some eighty years ago, but the modern reader can expect more of the modern historian. And no historian should write as clumsily or as obscurely as Mr Lowe sometimes does.

Republican France

A History of Modern France, Volume III: *France of the Republics, 1871-1962*

By Alfred Cobban.

Cape. 263 pages. 35s. *Penguin.* (Pelican Original.) 272 pages. 5s.

Professor Cobban's history originally appeared in two Penguins, the second volume covering the period 1799-1945. For the new edition (also published in three volumes by Cape), he has split the last volume in two, adding a coda to his account of the Second Empire, which now closes volume two. In the new third volume, the treatment of the Third Republic is revised and substantially expanded, and France's last two Republics get their due.

Scholarly apparatus is reduced to a minimum, the author's style is lively, his sympathies are liberal and his judgments shrewd. With one eye on *le grand monarque* and the other on *le grand Charles*, Professor Cobban has produced a stimulating essay "on the slow struggle of republican France to escape from its history." He explains the *immobilisme* of the Republics as a consequence of the intensely conservative society produced by the Great Revolution, and the peculiar difficulties of the Fourth Republic by the widening gap between old political habits and the demands of economic and social progress.

Looking at the Third and Fourth

Books this month

Editors: M. C. Urquhart and K. A. H. Buckley
Historical Statistics of Canada
A pioneer work, containing a wide range of statistical time series for the period 1867-1960, with a commentary.
Cambridge University Press 115s net

C. Pratten and R. M. Dean
The Economies of Large-Scale Production in British Industry
Four case studies of the steel industry, oil refining, footwear manufacture and book printing in which the problem of economies is discussed.
A D.A.E. Paper from Cambridge. 15s net

Dorothy Wedderburn
Redundancy and the Railwaymen
Mrs Wedderburn investigates two railway workshops in Manchester and Darlington which had to close in 1963 as a result of contraction plans by British Railways.
A D.A.E. Paper from Cambridge. 20s net

Editors: H. J. Habakkuk and M. M. Postan
The Cambridge Economic History of Europe, Volume VI
Part I is entitled "The Industrial Revolution and After:" Part II, "Incomes, Population & Technological Change." **The Set,**
Cambridge University Press 105s net

The Bow Group
The Conservative Opportunity
'Signposts for the direction in which the Conservative Party is moving.' *The Times.* 'Refreshing readiness to challenge attitudes.' *Sunday Times.*
Batsford 18s

A Nation Not Afraid
The Thinking of Enoch Powell
John Wood reveals the views held by one of the most controversial figures in British Politics today. 'Neatly classifies Mr Powell's neo-radical thinking.'—*The Times.*
Batsford 30s

Fritz Nova
Contemporary European Governments
An analysis of the structure, legislatures, executives, judiciaries, parties, social services, etc., of the governments of Britain, France, Germany (Bonn and DDR) by the professor of political science, Villanova University. **70s**
Helicon Limited, 53 Capel Street, Dublin

S. Szulc
Statistical Methods
Primarily for economists and students of social sciences, this volume surveys the field of applied statistics, covering the range of basic statistics, up to and including multiple regression.
Pergamon Press 105s

Leslie W. Rodger
Marketing in a Competitive Economy
This authoritative book, which is relevant to the major economic and business problems of our time, puts the case for the adoption of the 'marketing perspective' in business.
Hutchinson 50s

African Primary Products and International Trade
Papers by leading economists from UK, Africa and the USA, of immediate practical relevance to the development of Africa.
Edinburgh University Press 35s

N. D. Walker
Crime and Punishment in Britain
The most outstanding study in years of the British Penal System in Theory, Law, and Practice.
Edinburgh University Press 70s net

Edwin Chadwick
Sanitary Condition of the Labouring Population, 1842
The complete text of this great seminal document of the Public Health movement with a detailed introduction by Michael Flinn, Reader in Economic History, Edinburgh.
Edinburgh University Press 70s net

'Scipio'
Emergent Africa
'Avoids commitment . . . succeeds well in analysing and presenting facts about independent Africa.'—*Times Literary Supplement.*
'Admirable, brief, to guide thinking on Africa.'—*Desmond Donnelly.*
Chatto & Windus 22s 6d

Helen and Norman Bentwich
Mandate Memories 1914-1948
'The author brings insight, humour, experience and compassion to a disturbing subject.'—*Christopher Sykes.*
'Mrs. Bentwich's letters are the real stuff of history.'—*Times Literary Supplement.*
The Hogarth Press 30s

W. M. Clarke
The City in the World Economy
A unique and absorbing economic appraisal of the City of London discussing the City's invisible earnings, sterling, international liquidity and the banking, insurance, exchange, commodity, shipping, gold, and capital markets.
Institute of Economic Affairs 2 gns

Margaret Miller
Rise of the Russian Consumer
Dr Miller analyses, documents and describes the Russian economy since Khrushchev's 1962 reforms. Planning, agriculture, housing, labour, profits and the consumer's role are surveyed authoritatively and sympathetically.
Institute of Economic Affairs 7s 6d & 21s

Carl Grossman, M.D., and Sylva Grossman
The Wild Analyst
The life and work of Georg Groddeck. 'Indispensable reading for anyone interested in the early history of psychoanalysis' *Charles Rycroft, Observer.*
Barrie and Rockliff 25s

All books advertised in The Economist can be obtained from
THE ECONOMISTS' BOOKSHOP
Clare Market, Portugal Street, W.C.2
Catalogues free on request

Republics from the vantage points of 1789 and 1958 generally produces illuminating results, but there are some distortions. Although the army had not upset a regime since 1799, May 13, 1958, was nevertheless an example of such interference. The colonels were ready to move, ordinary conscripts would not have been needed, for there were the parachutists and the Foreign Legion; and there was nothing to oppose them in metropolitan France. And the army was willing and the new regime acceptable because both could shelter behind the prestige of a retired brigadier general who has since become President of the Republic.

Some readers may find Professor Cobban a little too kind to General de Gaulle, but even they will read the book with pleasure and profit.

Last Act of a Drama

The Fall of Constantinople, 1453.

By Steven Runciman.

Cambridge University Press. 270 pages, illustrated. 35s.

In one sense it is a fairly easy task to write a book about the fall of Constantinople in 1453. The sources are sufficiently abundant and they have been carefully worked over in the last seventy or eighty years. There is not a great deal to be said that is new: it is simply a question of skilful arrangement. But there is one great difficulty. The year 1453 is one of the most dramatic moments in history, but the drama lies not in the siege itself but in the final destruction of one of the greatest of all political creations. From this point of view Gibbon did justice to the event: for all his lack of sympathy with the Byzantine Empire he wrote its epitaph in words full of colour and emotion. But he knew that an extended treatment of the siege could only diminish its dramatic effect, for in the siege there is no drama. The result was a foregone conclusion. An army of 80,000 with powerful artillery faced 7,000 with fourteen miles of wall to defend. Nothing could save the city. There was scarcely time for endurance, or room for heroism, before the final moments of disaster. So Gibbon brushed aside the details with a masterful gesture:

> In the uniform and odious pictures of a general assault, all is blood, and horror, and confusion; nor shall I strive, at a distance of three centuries and a thousand miles, to delineate a scene of which there could be no spectators, and of which the actors themselves were incapable of forming any just or adequate idea.

This is fine, but of course not quite true. Since Gibbon's day it has appeared that there were both spectators and actors who formed, and have transmitted to us, a very just and adequate idea of what happened. But the first part of Gibbon's judgment remains true. Nothing that has come to light has added any new dimension to the event. Sixty years ago the detailed story was told in a book to which Sir Steven Runciman pays a generous tribute. Sir Edward Pears, who lived for forty years in Constantinople, went over the ground with loving zeal and wrote what still remains "the best account of the events of 1453 in any language."

What more was there to do? What Sir Steven Runciman performs is essentially a task of condensation. With great judgment and scholarship, and without unduly loading his pages with detail, he puts the siege in its historical setting. He would not claim to have anything new to say, but anyone who wants an accurate and impartial account of the last hundred years of the Greek Empire, of its relations with the West and with the Turks, and of the final catastrophe, will find here the plain unvarnished record. There are no heroics. Everything is under control. Perhaps indeed the control is almost too perfect: it makes the events seem strangely unreal. We seem to be reading a report, as it might be, by a royal commission, which carefully preserves the decencies which the events themselves so outrageously ignore. The "decapitating" of ambassadors is "virtually a declaration of war"; the Pope (or "Papacy") is "sincerely" or "genuinely" shocked; the discipline is "superb." There remain some nagging problems. The Greek people, we are told, is the tragic hero of the story. But how many of them were there, and how did they live? Gibbon attempted an estimate of the number in the city and put it at over 100,000; Pears thought that 80,000 was nearer the mark. Since then some very careful work has been done which suggests a much lower figure (perhaps 40,000). Sir Steven Runciman refers to the literature, but he relegates the whole problem to an indecisive footnote. By the same token we hear (rightly) much about churches and religious ceremonies, but very little about markets and commercial transactions. We may be thankful for what we are given in this beautifully produced book, but we should like to have more—especially more probing beneath the surface of events.

Planners' Tribute

Essays on Econometrics and Planning: Contributions to Statistics: *Presented to Professor P. C. Mahalanobis on the occasion of his 70th birthday*

Edited by C. R. Rao.

Pergamon Press. 354 and 528 pages. £5 and £6 respectively.

In preparing essays in honour of distinguished men one must try to match, in breadth and distinction, the person to whom they are addressed and, in Professor Mahalanobis's case, this task must have been particularly difficult. Professor Mahalanobis began his academic career as a mathematical physicist; after developing an interest in statistics he proceeded to make outstanding contributions to an extraordinarily wide variety of statistical topics, and at the same time he played an important part in the practical organisation of Indian statistical research and economic planning. Faced with this challenge the publishers and editors have succeeded admirably in matching the scale of these two volumes to the size of the man.

The second of the two volumes is related mainly to the more technical statistical aspects of Professor Mahalanobis's work, and the first volume is, on the whole, concerned with topics related to his contributions to economic planning, though many of these are of considerable theoretical, as well as practical, interest. British readers will no doubt be particularly intrigued by the essay on "Planning in Britain" by Thomas Balogh, since this was probably his last paper on this topic before taking up his present appointment as Economic Adviser to the Prime Minister.

In Dr Balogh's essay it is not difficult to identify the sort of thinking that was apparently influential in the creation of the present planning machinery in Whitehall. In particular, he contrasts the inadequacies of the last government's reliance on Neddy with the magnitude and severity of the problems facing the British economy. This analysis appears in the course of a succinct outline of the failure of "planning" under the early postwar Labour governments, followed by the failure of Conservative "freedom" to escape from the relatively poor postwar performance of the British economy, and leading to the revival of "planning" as a possible way out (or as a good electoral gimmick?). He compares the institutional advantages enjoyed by French planners (for instance, the full integration into their civil service of large numbers of professionally qualified economists) with the relatively powerless position of Neddy and the lack of genuine integration of professionals into the British civil service.

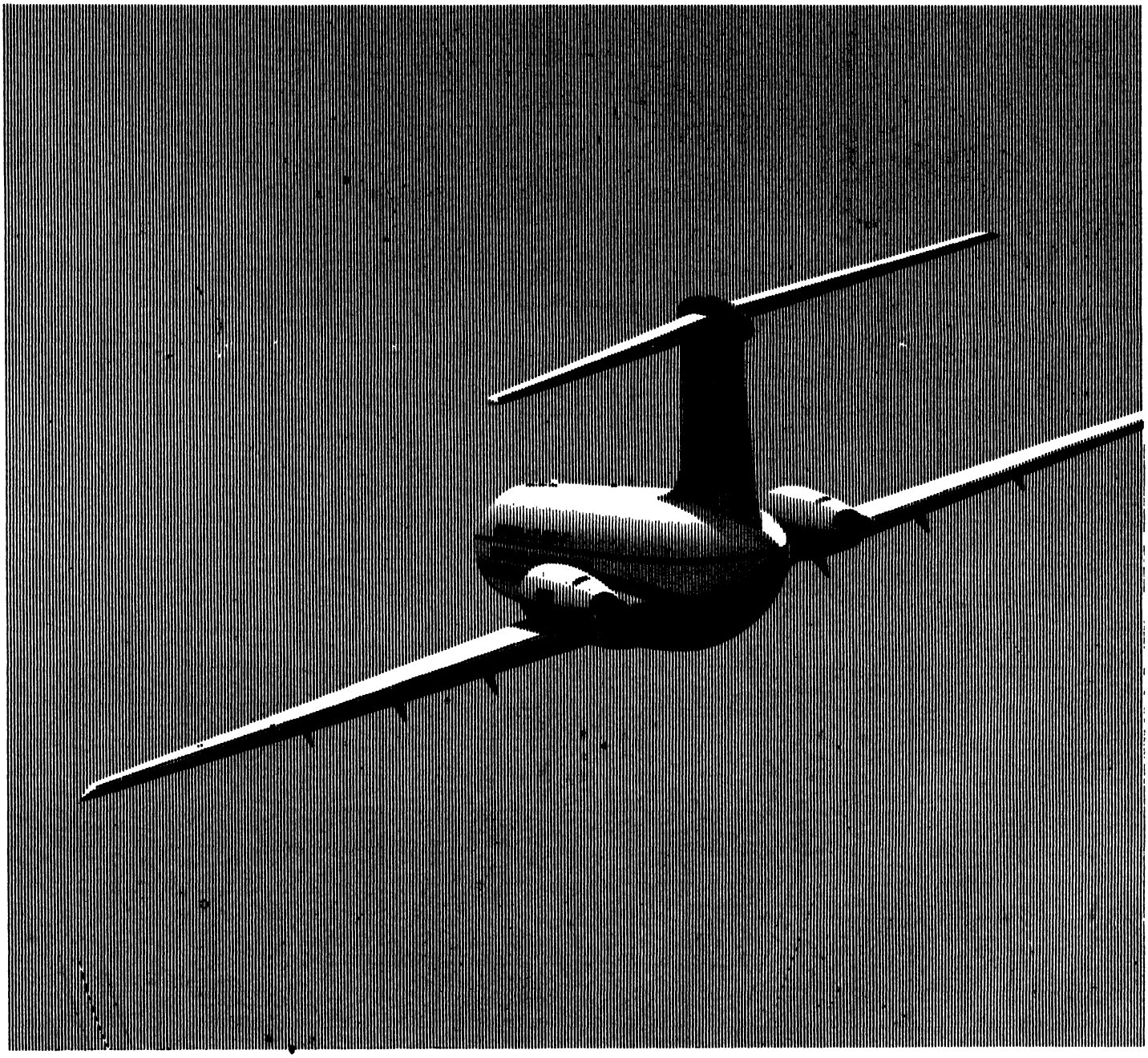
This analysis is linked with the particular economic problems facing Britain today, so that Dr Balogh's final views on what planning is about and how it should be conducted represent, not a mechanistic commentary on optimalisation theory and resource allocation, but a comprehensive framework designed to take account of the institutional and sociological conditions (such as trade union attitudes to wage negotiation) that face this country.

These vital sociological aspects of planning are treated in an essay by Nathan Keyfitz in a manner that is, at the same time, both more abstract than Dr Balogh's and more relevant to specifically Indian conditions. Various other contributions, such as those of Messrs Patel and Myrdal, analyse specific aspects of Indian planning. In view of the importance, for developing economies in general, of the Indian experiment in democratic planning, all these well informed and thoughtful essays should be of great interest to everybody concerned with the wider issues of economic progress in the world as a whole.

Black ink entry

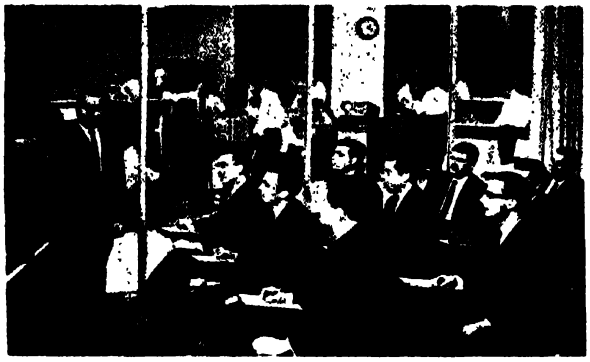
The new Douglas DC-9 is designed to keep airlines on the profit side. It carries up to 90 passengers on seats *wider* than those found on larger jets, yet can operate profitably with only 22 travelers aboard. Maximum landing weight of 74,000 pounds allows airlines to schedule a multiple stop route without providing for refueling. Simplicity of systems and components make the DC-9 the easiest to maintain and most reliable transport of the jet era. 262 DC-9s are on order or option by the following airlines: Air Canada, Allegheny, Ansett-ANA, Bonanza, Continental, Delta, Eastern, Hawaiian, Iberia, KLM Royal Dutch, Ozark, Saudi Arabian, Swissair, Trans-Australia, TWA, and West Coast.

DOUGLAS DC-9



Burroughs software sets that's why leading businesses

SOFTWARE SPEEDS PROGRAMMING. With every B 200 installation is included a complete package of library programs, service routines and program and operating manuals. From a wide variety of Burroughs assemblers, compilers, utility routines and application packages, the user selects those best suited for his hardware configuration and applicational needs. This approach effectively provides "tailored" software, thereby simplifying programming and maximizing system throughout.



BURROUGHS SYSTEMS ANALYSTS train customer personnel using the most advanced techniques. This training is application-oriented and includes programmed instruction texts, lectures and laboratory sessions. Through training coupled with the simplified and powerful command structure of B 200/B 300 systems, and flexible software, programmers can quickly become proficient. Thus maximum productivity is achieved earlier and retained throughout the installation.

At the rate of two per day, leading businesses like Soudure Autogène Francaise are installing Burroughs Electronic Data Processing Systems. Why? One big reason is Burroughs software that is completely coordinated with Burroughs EDP hardware for a productivity/cost ratio unmatched by competitive systems for economy.

For example, Burroughs B 200 users are routinely cutting program preparation time and operation costs by as much as 50% over comparable systems through the use of new COMPACT COBOL, the industry's first streamlined version of COBOL, the powerful business programming language.

Burroughs software provides for efficient operating control of the multiprocessing capabilities inherent in every Burroughs computer system. Every configuration is capable of handling a variety of unrelated production, debugging and compiling programs automatically. The result is greater productivity at no increase in cost.

As part of any Burroughs B 200 installation, Burroughs Systems Analysts thoroughly train customer personnel. Actual operations are studied and modified so that optimum productivity is achieved with minimum programming and lowest cost.

There is much more to the Burroughs story . . . the new "on-line/off-line" B 300 System . . . 3-in-1 processor commands, buffering of units . . . the Random Access Disk File that can be accessed in 1/50th of a second . . . to name a few.

For details, let your Burroughs Man demonstrate how the Burroughs EDP software *and* hardware that are setting new standards of excellence can help solve *your* data processing problems.

WHEREVER THERE'S BUSINESS

new standards of excellence– are choosing Burroughs

FRANCE — Soudure Autogène Francaise (welding equipment manufacturer, division of L'Air Liquide) reports, "Two punched card systems and two small computers could not keep pace with the mammoth billing and statistical work required. We then installed a Burroughs B283 Electronic Data Processing System. The B283 issues 1,000 invoices in 3 hours plus providing detailed statistical data. The first month the Burroughs System issued the complete monthly statistics and accounting work twelve days before the usual deadline."

CANADA—FREEDMAN WHOLESALE LIMITED, Ottawa (grocery and produce) reports, "After an exhaustive study of all random access computer systems available, we chose the Burroughs B 283 with Disk File. Upon receipt of an order, the B 283 automatically prepares an invoice and updates our inventory and invoice records. This highly reliable system has more than met our expectations."

ARGENTINA—BAIRESCO S.A., Buenos Aires (Data Processing Bureau) reports, "The successful installation of our B 200 system and its performance satisfy our expectations. The thorough and experienced backup rendered by Burroughs merits our entire satisfaction."

CALL YOUR BURROUGHS MAN for information on Burroughs EDP Systems and the world's most complete line of business machines including computers, accounting machines, check protectors, calculators, cash registers and adding machines. Burroughs Corporation, International Division, Detroit 32, Michigan, U.S.A. Cable BURAD.

THERE'S Burroughs

Are whisky-wise Englishmen miserly with their *Crawford's* TRADE MARK even though the smuggling is over?

Until last year you had to smuggle this great Scotch out of Scotland. But today it is a monstrous lie, a diabolical corruption of the truth, to suggest that an Englishman would be less than generous with his Crawford's. It is one of the good things of life. Last year over a million bottles of Crawford's were consumed in Scotland alone. Now whisky-wise Englishmen are making an heroic effort to duplicate this feat.

'Three Star' and for special occasions 'Five Star'

Recommended Retail Prices: *'Three star' Imp. quarts. (1½ bottles) 72/-, bottles 48/6, ½ bottles 25/3, ¼ bottles 12/11, Miniatures 4/10. 'Five star' bottles 52/6, ½ bottles 27/3, Miniatures 5/7*

BUSINESS BRIEF

Mr Callaghan on Tuesday afternoon announced a broad new package of deflationary measures and tighter exchange controls to bolster the pound.

Immediate reaction to the British Chancellor's medicine in the foreign exchange markets was moderately encouraging.

Spot sterling rose to a six week high; but official support was still needed in the forward market.

The London stock market was excited by the departure of Sir Alec Douglas-Home before the weekend, depressed on Monday and Tuesday by the promised deflationary measures and apathetic after their announcement. European bourses were looking a trifle more cheery than of late. Wall Street was slowly realising how good war can be for profits.

Japan has announced plans for major reflationary measures: a step-up in public works, drastic tax cuts, the flotation of government bonds and increased government loans.

France has enshrined a 5% growth rate target in its next five year plan to 1970 despite pressure to lower the sights.

Britain's long-range airline BOAC has made its biggest profit ever. But the chairman forecasts a reduction this year.

ATTRACTING LABOUR: HOW WAGE SENSITIVE?

Some accepted ideas about the behaviour of wages and employment may have less practical importance than they are currently given. **A new report suggests that, for the most part, changes in relative wages have not played an important or indispensable part in channelling the supply of labour in the last twenty years or so.** Neither in Europe nor America. The study "Wages and Labour Mobility" was made for the Organisation for Economic Co-operation and Development by a group of independent experts.

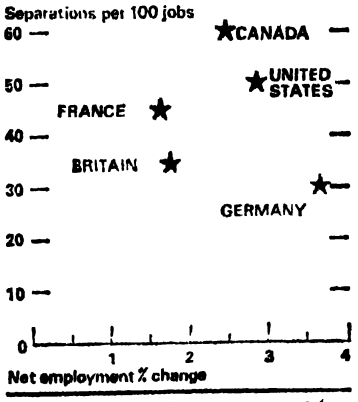
Pattern of Wages

The central evidence of this report is that whether wage earnings are looked at by industry, occupation or region, their structure has generally been remarkably stable over fairly long periods of time. Top-paying industries, skills or regions of ten, twenty or thirty years ago tend to be top-paying today—and vice versa. Not always, but mostly. Occupational skill differentials have tended to narrow markedly over the past half-century, but not in the post-war period. During the 1950s, in America, Canada, Britain, the Common Market, Sweden and Norway, the majority of industries in any one country experienced fairly similar changes in rates of earnings. In all but a limited number of industries, the long-term growth rate of earnings (wage or salary) has been well within 20% of the average for most European countries and within 40% in North America. Allow for fringe benefits and the conclusion is no different.

Employment movements stand out in sharp contrast. Not only has there been the flow out of agriculture and the explosive growth of the service trades; but the diverse experience of individual industries. Relative changes in employment have generally been large in comparison with changes in relative earnings. There has been some tendency in a number of countries for wages to rise faster in industries (broadly grouped) which were increasing their share of the labour force. **But large short-term changes in relative earnings do not seem to have been necessary to bring about substantial shifts in employment.**

LABOUR TURNOVER IN MANUFACTURING

Labour turnover is here measured by the annual number of "separations" (terminations of employment) per 100 occupied jobs and related to the year-to-year per cent changed in employment. Figures for each country are average rates for a three-year period near 1960.



Changes in earnings are one thing, levels of earnings another. There is a strong association between geographical migration and levels of income. But the more prosperous regions have provided both higher

any increase to hurt. Two other factors are at work. Second-hand car prices are weakening and dealers, afraid of overstocking, have been chary of taking in any model over which there was the slightest doubt. They have also been discouraged from stocking by reductions of loans for the purpose from the hp companies and banks. And fleet buyers concentrated their purchases in the early part of the year, anticipating either purchase tax increases or borrowing troubles—and at the same time are tending to keep cars for longer periods anyway.

So the normal summer downturn could turn into an early winter, starting in August or September: there may be more new models at the Motor Show in October than last year, but this will re-distribute rather than increase the total demand for cars. Home registrations were marginally up in the first half of the year. But the June figures showed a drop compared with 1964 for the second month running. So the fall in the second half of the year is unlikely to be less than 55,000 (or 10 per cent) and could well be more.

On commercial vehicles demand still looks healthy, with order books high, helped by new ranges of trucks out recently—and others due out in the autumn. Here, whatever happens to home demand, which could be badly affected by the squeeze, export demand for large vehicles should be enough to take up any slack which might be released. But with most makes of cars (though even here there are exceptions) this is not the case: total car exports were nearly 5 per cent down in value in the first half of the year. And the boom in exports of vehicle parts—which gave a rise of 13 per cent in sales to £83 million in the first half of the year—should continue. Nevertheless there will not be much overtime worked in the car plants for the rest of the year—and no one is forecasting any way beyond Christmas.

Sales of domestic appliances are likely to be only marginally affected by the reduction of the repayment period. Most appliances bought on hire purchase are paid for in two years or so; some dealers set a minimum of, say, 15s. to monthly payments, which effectively limits the period of payback. Purchasers of the more expensive appliances such as washing machines and television sets probably made greater use of the three-year time limit. But about 70 per cent of television transactions (last year manufacturers' sales were worth £75 million) are in rental agreements anyway, so all that may happen is that an even higher proportion of sets are rented.

Motors all over the place

Pressed Steel is so tangled in the affairs of most native British motor makers that last week's take-over is merely a prelude to some long-term reverberations

The take-over bid by the British Motor Corporation for Pressed Steel—made without the help of a merchant bank—is a brilliantly-timed one, and is almost certain to go through. Chrysler-Rootes, Pressed Steel's other major customer (BMC and Rootes each take about 40 per cent of Pressed Steel's output) would be risking dirty looks in both Whitehall and Washington if it made a counterbid, and looks unlikely to do so. Looking back, the bid was inevitable after the Chrysler offer for a substantial part of Rootes last year had introduced another hungry American giant into the British motor scene. This defensive move, in fact, by BMC, can be compared with the take-overs in the early fifties of the two other major independent suppliers of motor bodies, Fisher and Ludlow by BMC, and Briggs Bodies by Ford. Clearly BMC believes motor manufacture is now on a scale where Lord Nuffield's belief in being mainly an assembler of bought-in parts is no longer the ideal pattern.

In the last five years, British and European manufacturers have been shifting gradually over to the polycentric pattern that is already the rule in the United States. Broadly, the idea is to make bodies and assemble the finished cars in many centres, and concentrate other manufacturing capacity in more specialised plants. An assembly line gets most of its possible economics of scale by producing perhaps 1,500 vehicles a week. But a factory making engines, gearboxes, transmissions, radiators or carburettors—or pieces of them—is more capital-intensive: useful further economies of scale can be gained up to much larger numbers.

The group does the same with other parts—and with components bought in from one supplier, who can also reap the benefits of very long runs. Such economies of scale make the seeming inefficiencies of parts of BMC's production cycle less important. Until now BMC has been the only major car manufacturer in Europe to buy in any great proportion of its car bodies. It will still, after this takeover, be the only one to move its bodies any distance. Other parts, heavy in weight and unit value per pound weight, are easily moved over the country by the trainload; but complete bodies are mostly air, and trains are an expensive way to move air. Hence the endless streams of lorries moving, as the map shows, from Pressed Steel's factories to BMC's assembly plants, at Oxford and Birmingham—and Rootes at Coventry. Pressed Steel's Cowley plant is next to the Morris works. But over half its output goes to Coventry and Birmingham. It might seem the obvious step to start by integrating the two Cowley plants; but there are snags, dependent on reactions from Rootes. It has to create an integrated body and assembly network in the Midlands: since it cannot extend factories there it will have to use space now used for other purposes. Rootes can do this by reorganising its (mainly commercial vehicle) plants scattered all over the south of England. Then, without disrupting its production of cars, it could withdraw in stages from Cowley. Although Pressed Steel supplies most of its other customers with unpainted shells (or unassembled pressings) it supplies Rootes with fully painted and trimmed bodies—with a unit value half as much again as its other units. Chrysler is

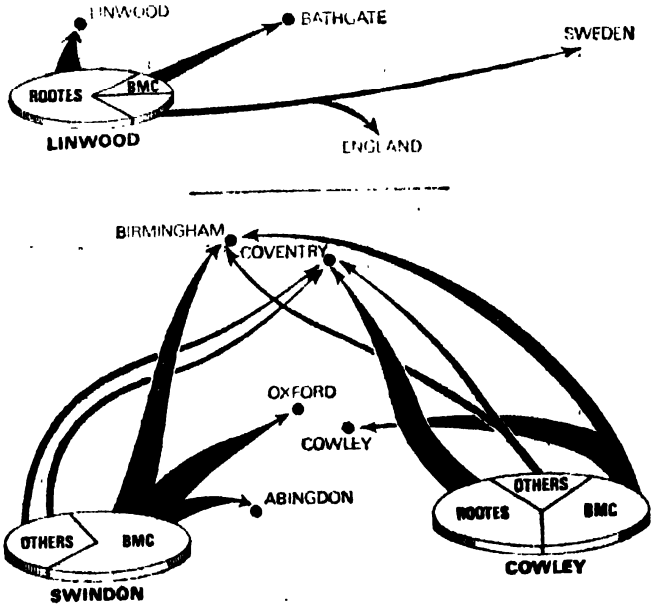
said to have been horrified to see this much dependence on an outside supplier, and is undoubtedly anxious to reduce it as much as possible.

The obvious body-plants are the Commer and Karrier commercial vehicle factories at Luton and Dunstable. But the future of these plants is tied in with that of the terribly crowded plant at Kew where Dodge trucks are assembled, that at Maidstone where Rootes makes its own diesel engines, and with British Light Steel pressings at Acton in London (which makes cabs for lorries, and is the place where a long strike nearly four years ago nearly bankrupted Rootes). Commercial vehicle is perhaps the key: move it and there is room for Rootes to expand. The advantage of the take-over from Rootes' point of view would be that the reorganisation need not disrupt the production of private cars.

The same applies to the future of Linwood, near Paisley. Pressed Steel has a plant there for some time, at one time making mostly railway wagons: but this was vastly extended two years ago to accommodate the plant making fully finished bodies for the Hillman Imp which is assembled at a next door plant. This capacity is only half used at the moment and could conveniently be used by Rootes to make a new model—if BMC is prepared to sell it a plant that will after all be peripheral to its own requirements.

PRESSED STEEL's other customers for bodies have had strong assurances that their future demands will be met. Even so, Triumph could well start to make its own bodies for the 2000 model—as it does for all its other cars. The body for the Rover 2000 is an oddity, made of bolted parts, which have to be made to a far greater accuracy than pieces of welded bodies, and Pressed Steel had initial troubles with the tolerances required: but these are now overcome and the losses wisely written down to experience. If anyone else wants such a body—for which less capital outlay is required than for more orthodox efforts—only Pressed Steel, in this country, knows how to make it.

This know-how is the intangible part of the deal. Pressed



Steel, designing the tools for a dozen bodies a year, whereas individual manufacturer designs a tenth as many, knows possibly better than anyone else in Europe how to press steel. BMC, with its traditional respect for production know-how of this sort, is unlikely to be unappreciative. It will also be making itself an even stronger unit in European terms than it was before. The revolution in BMC's fortunes that started when the Mini, launched unhappily (and possibly prematurely) in 1959, began to gain real public acceptance a couple of years later, is by no means complete. Without the revolution of the new models, and a top management that has obviously broadened from its previous exclusive attention to production, BMC would have been in a very unhappy state. It is now, with Fiat and Volkswagen, the only major native European motor manufacturer sure of independent survival into the seventies and beyond.

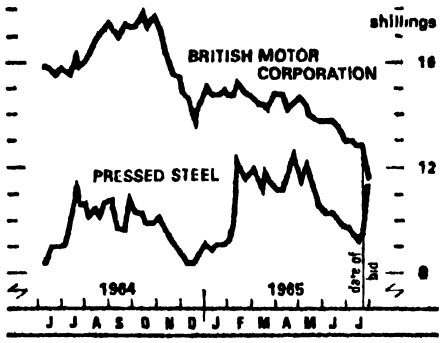
The bid itself

IT could not be simpler: one-for-one share exchange of BMC shares for those of Pressed Steel. It comes at an opportune moment: the gap between the two share prices was at its broadest for some months at the time of the bid although not nearly as broad as immediately after the Chrysler bid for Rootes. This gap emphasises how much more cyclical the market thinks Pressed Steel's business to be than that of BMC. It was not, however, likely to widen, as BMC's half-yearly statement issued recently had shown a decline in profits, whereas Pressed Steel had confidently forecast a profit of £7 million for the year, and a maintained 35 per cent dividend. At the pre-bid prices, BMC at 12s. 9d. yielded 7.7 per cent and Pressed Steel at 9s. 6d. gave 8.8 per cent. BMC is now down to 11s. 7½d., giving 8.5 per cent—extremely generous, especially after the take-over.

BMC is getting over 22s. worth of assets for just over half that amount: last year Pressed Steel's cash flow was such that it wiped out a £5 million overdraft completely. This year too there ought to be some cash—and BMC cannot be too unhappy to own one of its largest creditors. Pressed Steel's major assets and profit-earners are the three motor-body and tool plants at Linwood, near Paisley; Swindon; and Cowley. There is also a profitable commercial refrigeration division near Reading. BMC may well want to retain this: it already makes some domestic appliances (principally Bendix washing machines) and has shown no sign of wanting to withdraw from allied fields into which previous takeovers have led it.

Pressed Steel's only other venture has been into light aircraft, with the Beagle series. Last year this division lost £150,000: although there have been some orders from the Royal Air Force, light aircraft are not yet money-spinners for any manufacturer, even in the United States where the market is far greater than it ever could be here. BMC is not a sentimental outfit: it may be that the Beagle's days are numbered.

Share prices since the Rootes–Chrysler deal



A leading article on the Monopolies Commission's report on Petrol Retailing has been postponed until next week through pressure of space.

BUSINESS □ BRITAIN

DUNGENESS "B"

Why CEGB Did It

BECAUSE of the bitter controversy, the accusations of bad faith, sharp practice and so on that followed the Central Electricity Generating Board's decision to give its £85 million contract for Dungeness "B" to the apparently moribund Atomic Power Constructions consortium, CEGB has broken its own precedent and published details both of APC's and of the closest of several unsuccessful tenders. The figures ought to provide clues to the two biggest mysteries of the bid; they do not, entirely. These mysteries are:

(a) why did the prices for American-designed reactors come out so high, and apparently so much above the cost of building them in America? and

(b) why was Atomic Power Constructions apparently the only British consortium to get its price for this particular advanced gas-cooled type of reactor down to competitive levels?

The tender details published by CEGB show that Atomic Power Constructions' tender worked out at between £63 and £64 a kilowatt—£76 million for a station of 1,200 megawatts capacity. The bid submitted for the American General Electric Company by The Nuclear Power Group (American GE would, had the bid been successful, have supplied the reactor as subcontractor to TNPG) was £60 a kilowatt, £60 million for a 1,000 megawatt station. Had the bid been for the same size of station as the one from Atomic Power Constructions, then it would have worked out rather lower per kilowatt—the Central Electricity Generating Board took this into account.

The rest of the field was nowhere. Details of the other unsuccessful bids are not published, but the next best price was for an advanced gas-cooled reactor tendered for at £90 a kilowatt. So there was a situation where one company was offering to build an advanced gas-cooled reactor for little more than £63 a kilowatt, while another considered it could not be put up for less than £90—a discrepancy of more than £26 a kilowatt. Nor is this the only puzzle. The Americans knew that building reactors to Generating Board specifications would be more gruellingly expensive than building them at home, where they think £34 a kilowatt a fair figure for a good, i.e. an easy-for-civil-engineers, site. They guessed that British circumstances might add another £16 to the cost per kilowatt; and would have expected therefore that the tender price in Britain for an American designed reactor would have worked out at about £50 per KW. The CEGB thought much the same; allowing for certain site difficulties at Dungeness, it had expected the bids for American-type reactors to be about £13 a kilowatt lower than they actually were. It is possible, just, to think of reasons that might account for £8 of those £13, but only the tenderers will even be able to explain what happened to the balance.

The Missing Figures

THIS missing £5 per kilowatt is crucial. Until it can be explained, there must remain a substantial margin of doubt about whether the advanced gas-cooled reactor is as competitive, and as conspicuously better than the American reactors as it appears on these tenders to be. For the final prices are made up as follows:

Add to the tender price CEGB's own costs on the site, plus changes demanded in design to tidy up details unsatisfactory to CEGB's engineers plus interest during construction; and the total cost of the British design becomes £78.4 per kilowatt, £70.9 per kilowatt for an American designed plant of comparable size. But the British reactor's fuel is cheaper, £15.5 per kilowatt initially against £17.3, simply because it needs less highly enriched uranium. The difference is only marginal; but on stations of such size, it becomes significant. The British reactor's second advantage is its ability to work 365 days in the year, while the American has to be shut down for about 19 days a year while it is opened up for refuelling. This adds between £7 and £8 a kilowatt to American station costs. And when the final account is struck, with lower running charges balanced against higher capital costs, the British station marginally—but only marginally—wins the day, producing electricity for 0.46 against 0.49 of a penny a unit. There are only three-hundredths of a penny between them, the contest is as close as that.

Over 20 years, on a 75 per cent load factor, and with a station capacity of 1,200 MW, those marginal fractions of a penny add up to considerable sums. But the nagging fact remains that on all calculations made before the event, the American boiling water design ought to have come out the cheaper and it is still difficult to see why it was not. One must only assume that in preparing its tender, The Nuclear Power Group ran into snags with the American design that neither General Electric or any other observers in the United States, nor the Generating Board, here, had taken into account. (The alternative, pressurized water American design never stood a chance, the huge size does not suit it.) As to why The Nuclear Power Group's British design worked out so much more expensive than the winning tender, that is easily explained. This consortium did not think that efforts to fuel the reactor while it was running were viable, or worth the effort, while Atomic Power Constructions did. The result, combined with an advanced design of fuel, was to reduce the capital cost of the reactor while simultaneously increasing its availability, something that was to tip the balance more in its favour and against the American design.

For whatever reason the American bids went wrong—through over-confidence at the outcome (and there were plenty who thought Dungeness "B" was in the bag) or through over-caution in assessing costs—there does remain an element of uncertainty about which is the cheaper way of getting nuclear power, the British or the American. What the figures do remove is any lingering doubts about whether nuclear power as such is competitive and the answer, for Britain and in big sizes, is "yes." The tenders confirm that unless something goes seriously wrong, either British or American reactors can generate power in Britain, even on CEGB's penal ground rules, for less than ½d. a unit, which is better than coal can do. This has taken, since design work started on the first-ever nuclear power station at Calder Hall, just 13 years.

BANK ADVANCES

Within Target Still

ON Thursday morning the City buzzed with rumours of an additional call for special deposits. These were presumably based on knowledge that the July figures of the clearing banks, due to be published on Friday morning, were to show a jump in advances. They did: but the Bank of England wisely refused to be panicked into a repetition of its April move. Although advances to private borrowers by London's eleven clearing banks rose by £82 million in the five weeks to July 20, this was boosted by specially high half-yearly interest charges: the seasonal adjustment is difficult but the underlying increase was probably at most half the actual one. Moreover, this increase comes after three months during which, taken together, it seemed that credit restraints had at last produced a levelling off. The latest pick-up is a little larger than some bankers expected. Yet advances to private borrowers on a seasonally adjusted basis rose less than last year's jump of £62

LONDON CLEARING BANKS
July 20th, 1965

	£mn	%	Changes on Month	Changes on Year
Gross deposits	9,043		+93	+242
Net deposits *	8,414		+141	+472
Liquid assets	2,724	30·1		
Cash	741	8·2	− 12	+ 28
Call money	900	10·0	+ 20	+226
Treasury Bills	621	6·9	+ 10	−169
Other bills and liquid credits	462	5·1	+ 16	+ 80
Special deposits	89	1·0	+ 2	+ 89
Risk assets				
Gilt edged	922	10 2	−786	−177
Other market investments	134	1·5	+ 4	+ 12
Advances*	4,787	52·9	+100	+388
(To State Boards)	79	...	+ 18	+ 6

*Excluding all items in transit except ratio of advances to deposits; all ratios are of gross deposits.

million. And for the first seven months this year a rise of £100 million, seasonally adjusted, compares with an increase of £218 million a year earlier and one of £285 million in the 1963 period. Moreover, the banks believe they are staying well within the official request not to allow advances to private borrowers to rise by more than 5 per cent in the year to next March. So far, the total outstanding is about 1½ per cent above that at the end of last March, implying a rise of about 4½ per cent over the year if that rate of increase is maintained. Bank lending tends to slow down seasonally through most of the second half of the calendar year, although it usually picks up again in the first quarter of the new year.

COMPUTERS

Into Europe

It has been apparent for a long time that unless International Computers and Tabulators did something drastic about its links in Europe, the market on the continent would be swept by the American giants. Until now ICT has been jogging along apparently satisfied with what it could get—which wasn't much. Out of the 223 orders for its new 1900 computer range, only 20 are for Europe—and six of them to Iron Curtain countries. But recently there have been rumbling noises inside ICT and last Friday there was a mild explosion when it announced what the French (and *The Economist*) had been talking freely about for the last month, namely, a link-up with English Electric-Leo Marconi and the French computer consortium CITEC (a holding company consisting of Compagnie Générale d'Electricité, Compagnie Générale de Télégraphie and the computer bit of Compagnie Européene d'Automatisme). Providing the two governments are agreeable and reasonably generous, the threesome wants to design and develop a large scientific computer using some French and some British techniques—150 times bigger than ICT's Atlas and ten times more powerful than the American Control Data Corporation's 6800, now in the prototype stage and the largest available today. CITEC/ICT estimate a probable market of 20 (French guess) to 50 (British guess). This last could be on the high side. Atlas sold only six, and the British market for this kind of super scientific computer in the 1970s is not likely to be much more than ten. Still. . . .

So far this is the only definite consortium project, but ICT has apparently leapt with arms open across the channel and does not intend to stop at this. On Tuesday, the company announced yet a broader all-round link-up between itself and the French, on commercial computers this time, where the real money is. Between them, the two companies are thinking of sales of 500 computers a year at an average of £100,000 apiece, £50 million a year. It is on the cards that German Telefunken and Swedish Ericsson might join in. But at least one of the French members of the CITEC consortium is hand in glove with the General Electric Company in Britain and Scientific Data Systems in America; English Electric may still merge its computer interests with ICT in Britain. This is rationalisation with a vengeance and it says much for the acknowledged difficulties of marketing computers that no one has cried "cartel."

GOLD

Looking to the East

Demand for gold in the London market slipped back only briefly last week. By Wednesday and, especially, Thursday it

KEY INDICATORS

THE BRITISH ECONOMY

NATIONAL OUTPUT

First quarter's rise in gross domestic product now put officially at 1 to 1½ per cent—if anything slightly less than expected. Rise came entirely from personal consumption (up nearly 2 per cent) and a 4 per cent fall in import content (excluded from domestic output). Virtually no change in total fixed investment, exports, or public consumption. Stockbuilding at lowest rate for 1½ years.

ENGINEERING

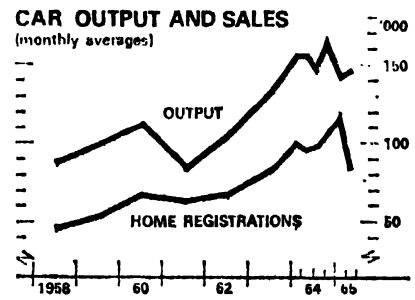
Orders down in the three months to May by 9 per cent on previous three months—exports orders alone 15 per cent lower.

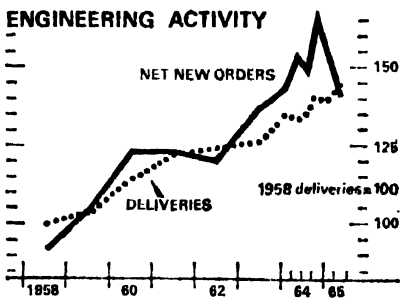
MOTOR INDUSTRY

Car output up in June but still running well below the peak level of fourth quarter 1964.

BUILDING

Building contractors' orders levelling off after steep rise during 1964.





From 1964 quarterly figures, seasonally adjusted. Engineering figures for second quarter 1965 based on two months' figures

	Month	Index 1958 = 100	Percentage change from: Previous month	Three months ago	Twelve months ago
Industrial production *	May	132	+½	nil	+3½
employment *	April	103·9	−0·3	−0·4	+0·4
productivity	April	126·1	+1	−1	+2½
Export trade *†	June	124	−1	−3½	+2½
Retail trade *	May	122	nil	−1	+3
Eng. orders on hand *‡	May	167	nil	+1	+14
Unemployment *	July	79·2	+3·4	+7·4	−10·8
Wage rates (weekly)	May	127·8	+0·3	[illegible]	+3·7
Retail prices	June	[illegible]	+0·3	+2·5	+4·9
Export prices	May	109	nil	nil	+2

** Seasonally adjusted. Indicators of export and retail trade reflect movements in volume terms, i.e., in value at constant prices. Unemployment indicators refer to numbers wholly employed, excluding school-leavers. Total unemployment level in July running at an annual rate of 1.4 per cent. † Provisional. ‡ End of period.*

was again quite heavy. But the authorities risked letting the price take a good deal of the strain: at Thursday's fixing the price jumped fully 1⅛ cents to $35.16⅛, its highest level since April. The renewed activity could not be read as a slap in the face for Mr Callaghan—dealers were not moved one way or the other by the Chancellor's latest manœuvres. There was however a link with sterling's ups and downs. The Chinese hint that they could dump enough sterling into the London market to pick up 80 to 100 tons of gold (worth about the same in millions of dollars) helped keep up the nervous pitch. But few dealers took this wholly at face value. And they were quick to point out the ambiguity of the statement: did the figure 80 to 100 tons include or exclude China's purchases of about that amount to date? One thing was clear. This week at any rate China was not in the market. What stalked the market and brought in the hoarders, from the continent and the Middle East, was the news of the worsening situation in Vietnam.

BRITISH LION

Much More Reasonable

THE contents of the memorandum sent last week by the directors of British Lion Films to the President of the Board of Trade leaked somewhat inaccurately to the press almost before the ink was dry. Reports suggesting that British Lion wants merely to creep in again under a protecting governmental shadow are now said to be largely distorted. Nor is it another part of the old, old row between British Lion and "The Circuits," meaning mainly Mr John Davis of the Rank Organisation. On the contrary, British Lion has in fact primarily asked for the freedom to do what package deals it feels are possible with the major circuits. It cannot at the moment make such arrangements, by the terms under which British Lion was sold by the government.

Critics of British Lion say two things: first, that it took the company a year to get a managing director; they got probably the best man for the job in the end, but the delay led to a vacuum in production, which, combined with the uncertainties of the previous year, led some of the better independent producers to drift away to the ever-eager American companies. Second, that the directors (though not Mr Victor Hoare, the new managing director) knew what they were taking on, and shouldn't complain now.

There are in fact several things the government could do without compromising the Monopolies Commission now looking into the industry and not expected to report until next year, or offending the circuits, or the American distributors, which would give British Lion the impetus it needs—always assuming that Whitehall still wants to encourage a third force in the industry. The battle is not now about financial or commercial survival. British Lion has projects and money: it needs a bit more of an opportunity. The government could and should allow British Lion the commercial freedom it seeks. More important, it could alter the conditions under which money is distributed under the Eady levy: at the moment, a few successful films get the bulk of the money: and most of these, while using British talent, are American productions, such as the successful James Bond and Mary Poppins. But from reports of what Mr Roy Mason, minister at the Board of Trade responsible for films, said to the all-party Parliamentary films committee on Wednesday evening, it looks as if the government will not play.

MOTOR CYCLES

A Cut-price road

IN theory, motor-cycles have not been subject to resale price maintenance for the last five months, but the first breach in the recommended price structure only came last week when King's of Oxford, one of the largest motor-cycle dealers in the country, announced cuts averaging 5 to 8 per cent in retail prices. The biggest reductions were for the fastest-selling makes, small, well-publicised models like the Raleigh Moped (£5 down at £59) or the Honda Scooterette (£7 down at £86). Bigger cycles, with slower turnover and less manufacturer's publicity, call for more effort by the retailer, and the cuts are therefore smaller.

Paying—and Charging—for Ports

THE National Ports Council's timing was unfortunate; it published plans for the development of 14 British ports requiring interest-free Government loans of up to £155 million, the day after the Chancellor's new economy measures were announced. But the spending, even on the Ports Council's timetable, does not build up to its full pitch of £40 million a year until 1968. And the Chancellor did have a few words to suggest that this could be one of the areas to which he would still give investment priority. In any event, this is only an interim plan designed to keep the docks free of congestion while a full-scale national ports scheme is developed. It represents what the Ports Council considers the minimum required to keep exports moving. And at least as important as the plans for improving facilities is the Council's heretical view on how to charge for them.

"At present in many cases charges do not appear to be related to costs, nor indeed to have any rational basis at all. Very often existing facilities are not economically used; vessels remain longer at berths than they would if charges fully reflected the time costs of these expensive facilities, goods remain for excessive periods on quays and in sheds or are stored on valuable port land. As a result there can be no confidence that traffic is guided to the most economic port facilities." This is the Ports Council's view of present tariffs; it wants them revised—which is bound in many cases to mean upwards—and simplified. It recognises that this process is likely to be slow, makes it clear that stake-out charges should weigh heavily in deciding whether any port should get the necessary Council backing for its request for Government development loans. But because port charges are frequently below costs, and have not been providing a proper return on the heavy capital investments, the Ports Council's recommendations mean, that inevitably many of these charges will go up, doubtless causing howls from both exporters and importers. The Council is convinced that increases are vital if ports in this country are ever to get themselves on firm financial ground—particularly as port charges represent at maximum only 3 per cent of freight rates and often less.

The Council has given teeth to its suggestions for improving the financial structure of the port industry by recognising that many ports are currently incapable of paying interest on loans for overdue development work. It recommends that Government development loans should be provided interest-free for five years, after which time the ports must pay their own way. So far, so good, but what is the Government's reaction likely to be? The Council says that about twenty years ago Government policy assumed that allowing import charges to rise, but pegging export charges, would assist the country's balance of payments problem. In fact, in the long run, exporters suffer from this policy because low charges mean low returns; low returns mean port investment cannot attract capital; so export facilities are undercapitalised and underdeveloped. The present Government, has again, tried only within the past few days to pressure the Port of London Authority to weight new charges—which the PLA is striving to bring in line with Ports Council requirements—in favour of the exporter. What stopped it was less a change of heart than the realisation that this would be yet another violation of Gatt.

FORWARD STERLING

How Committed are Britain's Reserves?

IN the long sterling crisis that began last autumn, transactions in the forward exchange market have assumed a new significance from the "very heavy commitments" the Bank of England has been making in it. In all previous sterling crises since the re-opening of the London foreign exchange market in December 1951, the authorities concentrated their support on the spot rate. For the rest, they relied on high short-term domestic interest rates to attract and retain hot money. But in the present defence of sterling, the Bank has consistently intervened on an unprecedented scale.

This technique of intervention was first advocated by Keynes in the 1920s; and in a limited way and under easier circumstances it was used by the authorities in Germany and the United States.

The diffuse effects of official forward support are sometimes imperfectly understood and the technique has been widely criticised. *The Economist* believes, on the contrary, that the Bank's tactic was necessary and right: and that the real foreign exchange risk of the forward commitment is less than appears.

JUST how much the Bank is committed in the forward market is anyone's guess. One very imperfect indication is given in the mid-year figures of two London clearing banks, the Midland, which disclosed foreign exchange commitments of £365 million on June 30, a rise of £163 million from a year earlier, and Lloyds up £138 million to £355 million.

On this basis, the *increase* in forward commitments by all the major clearing banks could be something over £750 million. Of this, about half might represent forward sterling sales classifiable as speculation, hedging of sterling assets, or commercial covering by traders who do not usually cover in normal times. On these calculations, the amount of "view-taking" forward sales of sterling outstanding at the London banks would be about £350 million and this in turn suggests the possible extent of official commitment in the forward market. Certainly at the equivalent of $1,000 million, this estimate is well below some of the guesses current in the foreign exchange market. Moreover, that substantial part of the commitment which is to British traders represents a shuffling of risk between the Bank and private citizens and companies, with no effect on the gold or dollar position of the country as a whole.

Those who take a view on sterling can protect themselves by selling it spot or forward. When the discount on forward is kept down, more forward covering will be built up; conversely as the discount widens, spot selling increases and with it pressure on the spot rate.

The principal difference between official support for spot and forward is that **there is always a drain on the reserves when the authorities buy spot, but there is not necessarily a drain when they contract to buy for forward delivery.** It depends to a large extent to whom the commitment is made, as the following examples show:

The British importer. He buys foreign currency to pay his overseas supplier. Until this week, he could buy foreign currency in the spot market at any time after signing an import contract. Now he can buy spot only a shorter time ahead, usually only when the goods have actually been shipped. But he can go on buying forward up to six months ahead of shipment. When the discount on forward sterling (which is also the premium on forward dollars) is wide, **it is cheaper to buy foreign currencies spot** and invest them abroad until they are needed for payment. The narrower the discount, the cheaper it is to insure the exchange risk on the forward market. Either way there is an eventual call on the reserves—representing payment for the imports; but when the pressure of commercial covering is transferred from the spot to the forward market, this pressure is not anticipated. Instead of a "lead" in import payments there is an increased forward commitment.

Foreign exporter. He sells sterling forward to convert his receipts into his own currency. He is not subject to any British exchange control restrictions, so he can choose to cover in any way that he likes. The wider the discount on forward sterling, the more expensive it is for him to cover by selling forward. But the wider the discount, the bleaker the outlook and the greater the inducement to cover. He may then cover by borrowing sterling and selling it spot, securing the existing dollar parity for his future sterling income. This spot cover, unlike the forward cover, entails a drain on the reserves.

The Hedger or Short Seller can, at least according to Treasury order, only be a non-British resident. He sells sterling forward either to hedge his sterling assets. Or he makes a straight short-sale of sterling he does not own but plans to buy spot when his contract matures, on the assumption that the spot rate will then have fallen below the rate at which he is committed to sell forward. In either case, the speculator can liquidate his contract on its maturity or extend it, although technically this means liquidating one contract and replacing it with another.

WHAT happens to forward commitments goes thus—

(1) **British importers:** Their forward purchase contracts must eventually be closed: they then represent a drain on the reserves, deferred but otherwise unchanged from the one that would have resulted from an earlier spot sale of sterling.

(2) **Foreign exporters:** Their contracts, too, are invariably closed, but the drain on the reserves here is reduced marginally because the discount on forward sterling cuts the foreign currency received.

(3) **The Hedger.** If he "rolls over" his contract, there is a profit to the Bank, representing the difference between the contracted forward price and the spot price on the day the contract is replaced with another. If a hedger sold sterling three months forward at $2.77 and the spot price is $2.80 on the day it matures and he wants to replace it, he simply writes the Bank a cheque for 3 cents in the £. On the other hand, if the hedger sells the sterling assets he has been insuring—**which he may do if the cost of forward insurance is high**—there is a drain on the reserves, marginally reduced by the difference between the forward discount at which he sold sterling and the spot price at the time of sale.

(4) **The Speculator:** If he rolls over his contract, the effect is the same as when a hedger does. The difference comes when a contract is closed. Here there is no drain on the reserves from the bear short-seller who has to buy sterling in the spot market so that he can meet his forward commitment to sell it. On the contrary, the reserves profit from the closing when the spot price he has to pay for sterling is higher than the forward discount at which he is committed to sell it.

IN most cases **so far the Bank's purchase contracts for forward sterling have merely been rolled over.** In each case, this has meant a profit for the Bank representing a slight gain to the reserves.

Here is the crux of the Bank's forward support operation. So long as sterling rides the storm, it takes pressure off the vital spot rate, defers sterling sales some of which, as a result never take place, and it produces a profit. If it comes to the worst and there is a devaluation, the forward purchases will indeed entail an additional drain on the reserves to the extent that $2.77 or so is given for each pound bought forward rather than the new, lower dollar rate. But without the facility for cheap forward cover these sterling holdings would mostly have been sold in the spot market for $2.78 or $2.79 already: and the $2.80 parity might have been impossible to defend. On forward contracts with British residents, the Bank will lose out in sterling—but at no extra foreign exchange drain.

Some motor dealers are also cutting the prices of new cars, but with the minimum of publicity. But new motor-cycles, particularly the 60 per cent of sales accounted for by smaller machines, are likely to be sold for either cold cash or hire purchase, without part exchange. So there is no room for the concealed price cutting rampant among motor dealers who in bad times give inflated prices for trade-in cars.

HOVERCRAFT

What Place for the Inventor?

THE development of hovercraft is now at the stage where it is better carried out in the plants of the manufacturers, like Westland, and of the engine builders, for a good marine hovercraft engine, i.e., an ultra light-weight diesel, is more necessary than anything else. So where does that leave Hovercraft Developments Ltd., the organisation fathered by Mr Christopher Cockerell and now supported by the government's National Research Development Corporation at reported £2 million a year? It has done a good deal of work recently on the skirts that hold in the hovercraft's supporting air cushion, and has a new "pleated" version better than that currently used by Westland and apparently better able to counter the risk of overturning in calm weather, as two Westland hovercraft have recently done.

The age-old friction between the inventor and the money-bags is already apparent. HDL's latest brain-child is the hovertrain, running along a monorail supported upon air cushion pads. Mr Cockerell wants British Rail to support this futuristic concept at a time when the management is still struggling to get order from Victorian chaos. But NRDC itself is more interested in trying to develop a market for the hovercraft that exist. Promotion is currently much more vital to the project than more research; route studies that might convince potential customers form some of the most useful work in hand. A working model of the hovercraft train will be build shortly; a two-man version may be put on a disused railway line if the Government can be persuaded to put up the money. This is liable to leave Mr Cockerell a disappointed man. It happened to Frank Whittle, too.

MACHINE TOOLS

Metric Enthusiasm

INACTION is sometimes a deeply cunning policy for a thrifty government. For the chances are always that events will overtake the need for action. One must congratulate the government on these grounds for its inertia over adopting the metric system; the latest of the industries to look into this job for it is machine tools, of which the trade association issued a pamphlet this week briefly surveying the problems involved, ways of smoothing the transition and trying to judge the enthusiasm of its members for the change. The conclusions strikingly favoured the metric system, mainly on two grounds: that the changeover will come one day, the government has said it will, and that the biggest market for exports is in metric-using countries.

Two-thirds of British machine tool exports go to metric countries and the manufacturers claim that the Commonwealth countries that make up virtually all the rest are only waiting for a lead from this country before changing over themselves. Having said that much, then the trade association is pressing for a change to metric-based, if not overtly metric, standards; but only if industry is prepared to move as a whole. Basically, this would mean designing new machines to metric standards and then quoting in rough inch measurements. In this way an underlying metric structure could be established that could throw off its inch disguise on Bastille day when the metric system is finally established. But this, modest as it sounds, will involve an immense amount of work in setting standards in the first place.

Titanium's second wind

The expansion of Imperial Chemical Industries' titanium production announced this week is the first addition to this plant since it was opened ten years ago, a muted echo of the hopes once held for the metal. But ICI is now hoping that the expansion of the market in aircraft manufacture—which the plant was originally built to supply—will be supplemented, perhaps even supplanted, by growth in other fields. The company makes the metal by its own process from titanium tetrachloride supplied by the pigment company, British Titan Products, at Wilton. This is sold to melters—there are only two in Britain: an ICI subsidiary, Imperial Metal Industries, and Jessup Saville—who alloy the metal and cast it into ingots for rolling out. So far ICI has contented itself with the home market; part of the expansion is intended to break new ground, abroad, where the only two other producers, Japan and America, have been supplying the metal.

This modest rate of growth is a far cry from the early fifties when, encouraged by the government, ICI mounted a crash programme to devise cheaper ways to produce the metal and overcome the troubles encountered in fabricating it. Titanium was to have been the wonder metal of the future (that is, now). It was the obvious choice for all sorts of high performance engineering, particularly aeroplanes. This has been the industry's grave disappointment, in Britain anyway; progressive cancellations have reduced the market in aviation to a fraction of what was promised when the plant was first built. At one point it even had to close down while the fabricators worked their way through the stocks that had been optimistically accumulated.

The difficulties of handling the metal have been overcome, so that simple engineering no longer stands in the way of anyone wanting to use titanium. These difficulties mainly arose from the reactivity of the metal, its tendency when hot to absorb gases that can make it too brittle to use. The answer was to melt the metal in a vacuum furnace, keeping it away from the atmosphere, and weld under a blanket of some inert gas like argon. There are now five vacuum arc furnaces at IMI's works, with a total capacity of 2,500 tons a year—perhaps half of which is used for titanium. (The rest is let out for hire, melting of special steels or to melt down some of the other exotic metals that IMI specialise in—like zirconium and, until the Atomic Energy Authority finally decided to can its fuel elements in stainless steel, beryllium.) Rolling the ingots out became less of a problem once IMI put in plant specially designed to cope with titanium's physical properties—ordinary copper mills had been used, with difficulty. The net result for IMI is sales of finished titanium products that are running at a rate of (the company is purposely imprecise) some hundreds of tons a year.

This is twice the rate of five years ago. The aircraft industry still accounts for two-thirds of its sales—almost entirely in engines, where its high temperature strength is valuable—but this is no longer a growth market except in a rather arbitrary way, for example depending on whether or not British engines are fitted to the Phantom fighter/bomber. ICI itself has been able to generate a fair amount of interest on its own account as a user of chemical plant: the corrosion resistance of the metal makes it an obvious choice for plant handling the more vicious chemicals, and a new process, developed by DuPont in America, for cladding steel with the sheet offers the possibility of plant a good deal cheaper than solid stainless steel. The metal also has a market, but a once-for-all market, in metal finishing titanium baskets are used to contain nickel pellets used as cathodes in electroplating. Further developments depend on substantially lowering the metal's price. At an average of £3 a pound it is still a highly technical metal, used where nothing else will do. But the price has come down steadily over the last ten years: it is no longer a development product.

BUSINESS INTERNATIONAL

GERMAN STEEL

When is a Cartel .

OPPONENTS of steel nationalisation in Britain who maintain that market forces can bring about the rationalisation the industry needs can take heart from an example of this happening on the continent. Except that, where it happens, it can look suspiciously like a cartel. However, this has not been enough to deter the High Authority of the European Coal and Steel Community from approving the agreement. Four German steel companies—Dortmund Hörder, Hösch, Mannesmann and Oberhausen—all roll a variety of bars and sections, overlapping and duplicating each others' ranges in some areas. They applied to the High Authority for authorisation to set up a central office that will work out three-monthly rolling programmes for the mills, phasing them in such a way that there is never long to wait before any particular product is being rolled. Deliveries and orders booked by the companies will be sent to the central office which will then distribute them in the light of the rolling programmes. The aim is to give the mills longer runs, and so more economic use of their plant, with less time down for changing rolls; and to give the customers shorter delivery times. If customers insist on getting the product from a particular firm there will be no problem; they will simply have to wait longer for it.

The scheme originated a year and a half ago when, owing to intense competition in the Community for every small order, utilisation of plant had reached an economic nadir. A survey in 1962 showed that three-quarters of bar orders were less than 5 tons; only 30 per cent of orders for sections and 11 per cent of bar orders were over 10 tons. These small orders were accompanied by pressure for short delivery dates, so that the mills of the four companies were rolling in batches 60-80 per cent too small for optimum use of capacity. Thus, in the first quarter of last year the mills rolled only 190 economic-sized batches and the mean batch size was 650 tons. They claimed that had they been organised as they are now authorised to be, 300 economic batches could have been rolled and the mean size would have been 1,070 tons. The logic of this sort of co-ordination is manifest. It stops short of an illegal agreement because in every other respect the companies retain their separateness. They will still sell their products separately, pricing them and arranging selling conditions as before. Most important, the customer has complete freedom of decision.

All of which evidently set the High Authority a nice problem. Clearly, it wants to encourage the development of efficient, rationalised units of production; equally clearly, at some point this leads towards cartelisation. The High Authority accepted that the agreement would lead to more profitable use of the companies' plants (but then that was the precise purpose of the pre-war cartels). And it accepted the advantages to the customer of simplified ordering and quicker deliveries. Moreover, as the companies pointed out, this sort of rationalisation is open to other companies without permission, simply by taking each other over—like Thyssen and Phoenix-Rheinrohr. These arguments the Authority accepted with reservations, for even at its purest the central office must impose considerable restraints on trade and there would be no lack of opportunity for making other, less pure, arrangements. However, the Authority took the view that it would be impossible to fix prices or form any sort of protective association given the present state of the market. In any case the companies account for less than ten per cent of ECSC sales of these products.

The authorisation has been granted for two years, giving the Community's steel authorities an opportunity to review the working of this novel arrangement. And the companies must report on the amount of rationalisation achieved in the last quarter of each year. It is interesting that a similar specialisation agreement, concerning types of plate, between the British companies Consett and Dorman Long received nothing like so stringent a scrutiny. Perhaps this was because—as with bars on the continent—there would be little opportunity to fix plate prices given present conditions in Britain.

JAPANESE ECONOMY

Reflationary Blossoms

Tokyo

THE first important step towards a realistic solution to Japan's economic difficulties was taken this week when the Prime Minister, Mr Sato, reluctantly gave in to his more persistent economic advisers and agreed to embark on a deficit financing programme. Despite earlier warnings that such a move might eventually lead to the inflation which his conservative supporters so much dread, Mr Sato abandoned the poor stop-gap measures that have brought little reward so far. During a Cabinet meeting on Tuesday he announced that drastic tax cuts would soon be made to stimulate industry, long-term public bonds would be floated in 1966 for the first time since the war, some £200 million would be added to the government loans and investment programme, and that up to £84 million would be used for public works projects to prime the economic pump.

Other steps outlined by Mr Sato included the lowering of a number of interest rates. Industrial leaders who have been waiting impatiently for the government to stop sitting on its hands, as one manufacturer put it on Wednesday, breathed a sigh of relief when the announcement hit the headlines. The Tokyo stock exchange, long in the doldrums, responded vigorously to the decision, climbing by 17 points on the Dow Jones average for the day. Japanese small businessmen, hoping that the government programme finally will get into gear in time to save them from bankruptcy, watched the market reaction and took heart. "Maybe the smart money already knows that this is the answer" suggested a tool and die maker. "If luck holds we may still be in business when the money reaches our level."

JUGOSLAV ECONOMY

Strictly According to Basle

JUGOSLAVIA'S novel experiment in economic management has run head on into some depressingly familiar problems. Hand in hand with rapid growth and increasing decentralisation have come domestic inflation and external imbalance. And the instinctive reaction of the authorities also looked depressingly familiar—a back-pedalling into more direct control from Belgrade and an importation of the very English disease of "stop-go." By March of this year the neatly balanced targets of the 1965 Plan were already nonsense and Belgrade had resorted to a general freeze on prices and stringent controls on credit. Longer-term plans to press ahead with further decentralisation were apparently shelved. But not for long. The authorities this week have ushered through parliament in one dollop no fewer than 30 bills on economic reform, underwritten with an $80 million stand-by from the International Monetary Fund. Together the measures add up to a massive dose of unadulterated market discipline.

The workers' councils are being asked to swallow not only a devaluation of the dinar by 66⅔ per cent to 3,500 dinars to the pound, but also a realignment of domestic prices that alone will push up the cost of living some 24 per cent on the 1964 average. The massive devaluation is a calculated risk;

the Jugoslavs are scrapping the system of a double exchange rate and export subsidies, moves which should incidentally strengthen their hand in the Gatt negotiations. British tourists had already been given a rate of 2,800 dinars to a pound at the beginning of July, so the new rate is a less dramatic change for them than for traders. The major rises in domestic prices are in prices of raw materials, agricultural products and transport—all artificially subsidised for years. The point of the exercise is to make prices more realistic mirrors of market conditions, above all to make them reliable guides for investment decisions. Distorted relative prices have not only held back investments in the essential raw materials industries—and thus created serious bottlenecks in the economy.

Obviously these price changes will not do their intended job of shaking up Jugoslavia's industrial structure if they are swamped in a general upward adjustment of other prices and wages. The authorities are planning greatly to modify their price controls—the general freeze in March went very much against the grain. But they have made it unmistakably clear just how they expect enterprises to react to the new regime. Above all they have given warning against any across-the-board adjustment of wages. Workers' councils are being asked, a little hopefully, to hold wage increases strictly within productivity gains—and pronouncements on "incomes policy" from Jugoslav officials are not so lightly ignored as those from Mr Brown.

The councils are, of course, being offered something in return for their co-operation. The government has promised to give financial help to especially hard-hit enterprises over a transitional period. And the impact of the new exposure to foreign competition will be softened by protective tariffs. But all of this is intended to disappear—probably, in the Jugoslav case, sooner rather than later. The broader scope of workers councils' responsibilities is not a vague future promise: the government is reducing its rake-off of enterprise profits from nearly half to 29 per cent. *A la* de Gaulle, the Jugoslav authorities also plan to crown their programme with a new heavy dinar; from January 1966 over a period of four to five years the badly inflated old dinars will be replaced by the new, at a rate of 1 new dinar to 100 old. It will be a status symbol well earned.

INTERNATIONAL LIQUIDITY

Noises Off

In a week not conducive to thought about abstract subjects like liquidity, both the reserve currencies have had their little moments of truth. Mr Callaghan said in the House of Commons last Friday:

> *I would not shrink from having a basic discussion about the role of the reserve currencies, the possibilities of future development and to what extent, if any—I choose my words carefully here—they need to be supplemented by any other acceptable international unit or drawing right. . . .*

As far as we know, this is the first time the British Government has publicly offered to discuss the function of the pound as a reserve currency.

Washington also scored a dollar first this week by making an ordinary drawing on the International Monetary Fund for the first time since it was set up. The drawing of $300 million in European currencies was to pay off swap credits used earlier to absorb dollars that had come into official hands in Europe because of the American deficit. The only previous United States use of the Fund had been in a "technical" operation to facilitate other countries wanting to repay drawings with dollars. Continental central bankers have long been urging the Americans to make more use of the IMF "so as to make the gold exchange standard work"—and get in some multilateral surveillance. The Americans long felt this was not compatible with the dollar's dignity.

NUCLEAR POWER IN SWEDEN

Breakthrough for ASEA

Stockholm

An extremely important order has now been placed for Sweden's first commercial nuclear power station. The capacity of the plant will be 400 MW or twice that of the country's first, almost wholly state-owned atomic energy station, Marviken, which is to be completed in 1968. In fact, the commercial station will be somewhat bigger than the biggest hydro-electric power station yet built. The order was placed by a consortium, Oskarshamnsverkets Kraftgruup, consisting of seven big enterprises, including one owned by Stockholm city. ASEA, the Swedish manufacturer of industrial electric equipment, got the £22 million contract after fierce international competition. This order—the largest ASEA has ever won—will allow it to bring its atomic energy side up to the same scale as its production of high-voltage direct-current equipment, which has hitherto been ASEA's main line.

The new nuclear power station is to be situated in Simpevarp on the west coast of Sweden, some 200 miles south of Stockholm, and is to be completed in 1970. What is particularly interesting about the Simpevarp project is that the reactor is designed as a boiling light water type using enriched uranium. Most development work in Sweden has been on natural uranium and heavy water. This was because Sweden has large supplies of uranium whereas the country would be dependent on the United States for the enriched mineral. With natural uranium as fuel, heavy water, which can be produced domestically, was considered the best coolant and moderator. But the situation has changed since first Britain, and then the United States, offered to put Sweden's natural uranium through their enrichment plants for a toll fee. Meanwhile some £70 million has been spent on the original heavy water programme. It may at first seem to be a total defeat for AB Atomenergi, the national atomic energy company, that Swedish electric power producers, when making their first order for a nuclear power station, should choose a light water reactor of a type mainly developed in the United States. This judgment would appear to be unjustified. According to Mr C. Nicolin, managing director of ASEA, the company's success would not have been possible without the development work carried out according to the "Swedish line"—co-operation agreements between ASEA and AB Atomenergi will give ASEA access to this experience. It may well be, however, that the rivalry between the heavy and light water reactor types will continue on the Swedish market for a long time to come. The cost of the Simpevarp project will be about £62 per installed KW capacity, which is less than one-third of what Marviken is estimated at. The fuel costs are calculated at 0.17d. a KWH, or not much more than half the costs in an oil power station. ASEA is to supply fuel for the first four years at a cost of about £7½ million.

KEY INDICATORS

WORLD COMMODITY PRICES

Advances in **base metal** prices this week reflect fears that America might decide to stockpile more in view of the deepening Vietnam crisis. Despite troubles in the Argentine packing industry, **beef** prices showed signs of easing and may have passed their seasonal peak. **Cocoa** recovered 5s. a cwt on revisions of earlier crop estimates. American pronouncements on Vietnam have set off a flurry of buying on the New York **sugar** market: the daily price in London is up £1 at £21 a ton.

The all-items indicator **rose** 1.8 this week (to July 28th).

	Index 1958 = 100		Percentage change on *	
	July 21	July 28	One month ago	Twelve months ago
ALL ITEMS	101·8	103·6	−0·2	−2·4
Food	96·8	98·3	−0·8	−8·0
Fibres	99·6	99·5	+0·9	−4·1
Metals	193·6	206·3	+1·4	+21·4

The Economist Commodity Price Indicator includes nineteen commodities weighted according to their relative shares of world trade in 1958.
** Changes relate to this week's figures, but these, except for the metal group, are provisional because quotations for tea and wool are not yet available beyond last week.*

INDIAN OIL

Three Rounds to Delhi

New Delhi

IN the fight over Indian oil prices western "majors" have now lost three successive rounds to the government in as many months. They first lost rights to import diesel oil and kerosene when India switched to cheaper Soviet supplies for which it pays in rupees under bilateral trade arrangements. The second round was lost when India was offered higher discounts by an unnamed western source of a flat 20 per cent.

The third round was in some ways the most important. Three company-owned refineries in India with a current throughput of 8 million tons are, under their current agreements, allowed to import oil from sources of their own choice at the best prices they can get. Until mid-1960 the best price meant the full posted price, but larger and larger discounts have since been allowed under continuing pressure from New Delhi for fairer terms. Recently Burmah Shell, which controls some 40 per cent of the Indian market, offered another 7 cents off Agha Jari crude and 4 cents off Kuwait, to bring the price per barrel down to 1.48 and 1.34 dollars per barrel. The other two companies appear to be following suit.

Burmah Shell claimed that it was making no more than a routine adjustment following a softening in world prices. This may be so, but a coincidence is noteworthy: an official committee is just completing its inquiry into prices of oil products.

Even these cuts will not bring bargaining to an end. Professor Humayun Kabir, India's minister for oil, said that he hoped for further concessions.

But bargaining is a game at which two can play. Philips Petroleum, the government's American collaborator in the 2,500,000 ton refinery being built at Madras, has signed a crude deal with its suppliers at a price seven cents per barrel above what the other private companies have now agreed to. Philips' claims it was entitled to conclude the deal under the refinery contract, but this New Delhi disputes. High level discussions were to be held in London to sort this one out, but for the present Philips' enthusiasm for India would seem to have cooled off. It has withdrawn a collaboration offer submitted jointly with ICI for a petrochemical complex in Gujarat, leaving a three-member consortium consisting of Union Carbide, Dow International and American International Oil alone in the field. The Philips-ICI offer, which had been broadly accepted, involved the investment of up to $54 million by them to meet the foreign exchange portion of the total costs of $137 million. Four units are envisaged, including a naphtha cracker with a throughput of 75,000 tons of ethylene and 25,000 tons of propylene. This capacity may go up if ICI is still interested after its partner's defection and manages to get in on the deal.

Fourth issue out this week
EUROPEAN TRENDS
Special features:

Implications of the General:
what is going to happen after the French boycott.

Europe against inflation:
a review of wage/price policies—and their effects

Comparative incomes data
for EEC and EFTA

Details and subscription rates:
THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St. James's Place London SW1
HYDe Park 6711 ext 27

60 East 42nd Street New York NY 10017
Murray Hill 7-6850

ASIAN DEVELOPMENT BANK

Electric Harmony on the Mekong?

MR EUGENE BLACK, now a spry 67, was in London last week as President Johnson's special adviser on south-east Asian development. The main subject on the table was the projected Asian Development Bank, towards whose capital of $1,000 million the United States and Japan have each committed $200 million. But the central issue, as far as President Johnson is concerned, is clearly to get something going in south-east Asia that will stem the advance of communism across the jungles and paddy-fields. Leaning lankily against a lectern in the American Embassy and staring at a point somewhere near the ceiling, Mr Black explained in his cool Georgian drawl that the immediate aim is to get work started on part of the vast Lower Mekong scheme, which requires nothing more difficult for its success than the co-operation of four small riparian countries—Laos, Cambodia, Thailand and South Vietnam. In its nine years of existence, Mr Black said, the Mekong Committee had done some very useful studies, and the top priority project now was a hydroelectric dam at Nam Ngum on a tributary of the Mekong near Vientiane in Laos. It was believed, he said, that an understanding could be reached with the various parties in Laos that would allow the project to go ahead.

A committee set up by the United Nations Economic Commission for Asia and the Far East is now touring the industrial countries in two groups to sound out support for the Asian Development Bank project. One group had just begun talks in London as we went to press. As Mr Black said, the Ecafe decision to set up the bank corresponds to a growing desire for regional development organisations, to complement the services the World Bank already offers. The Inter-American Development Bank and the nascent African Development Bank provide precedents in the two other developing continents. The special interest of the Asian project is that the United States clearly sees it as serving some of the same purposes as President Kennedy's Alliance for Progress in Latin America. But it has learned from its Latin American experience that rich uncles are not always popular. President Johnson made his recent offer of $1,000 million for Asian development conditional on other aid-giving countries coming in to help. Most interesting of all is the appeal to Russia to join in the collective effort. The reply will be instructive, as will the French attitude to Ecafe's request to contribute to the bank's capital.

SWISS INDUSTRY

Bad Start in Petrochemicals

Basle

LONZA, a medium-sized Swiss chemicals company, has just succeeded in losing 30 per cent of its already-depressed value on the Swiss stock exchange in the course of a fortnight. The shares, which have a nominal value of Sw. Fr. 500, touched a peak in this gloomy stock market year of Sw. Fr. 2,285 and are now being traded at about Sw. Fr. 1,000. The market thus values Lonza at about £12½ million, or much less than the insured value of plant and buildings (£22 million) and only slightly more than Lonza invested in the petrochemical plant whose fate has caused the shares to slump.

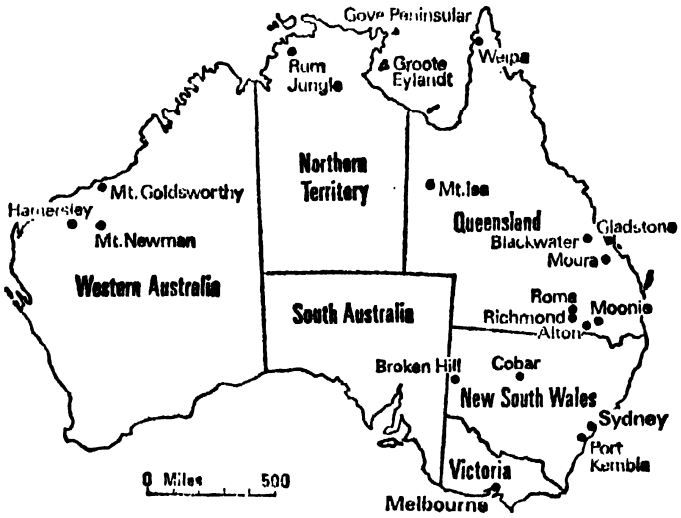
Lonza got into trouble by trying to break into a new field, switching from coal to oil for its raw material in order to benefit by the construction of the first Swiss refinery at Aigle-Collombey. Lonza will be the first Swiss company with a large stake in petrochemicals. But the plant, which was built under licences bought from Italy's Montecatini, not only cost nearly £11 million instead of the expected £8½ million, but is also having extraordinary teething troubles. In 1963 Lonza had to draw on reserves to maintain its dividend, and last year it had to reduce the dividend from 8 to 5 per cent despite a 14 per cent increase in turnover. Although nearly £2 million has already been written off in connection with the new plant, further ill effects on profits are expected from the venture into petrochemicals, because of technical difficulties.

When Lonza made the switch to petrochemicals the big Basle chemical companies, Hoffman-La-Roche, Ciba and Geigy, took a stake in the firm. Their total stake is probably no more than 10 or 15 per cent. People are wondering if it has risen now that the shares are so cheap.

AUSTRALIA'S MINING BONANZA

Dig, Digger, Dig!

Canberra



Australia's mining and metals industry is now passing into the greatest boom period since the gold rush. The announcement on July 22 of a massive expansion of the flat products division of the Broken Hill Proprietary Company's iron and steel complex at Port Kembla, New South Wales, was a sign of the gathering momentum. There is great satisfaction within the Commonwealth Government that the Australian-owned BHP is showing new dynamism.

Under the new BHP plans, there will be an expenditure of some £A40 million on expanding place and strip capacity. A further £A80 million will be needed to build up basic steel capacity at Port Kembla to feed the flat products sections—it is expected another 2 million tons of steel a year will be required. This will follow the doubling of steel output to 5 million tons in the past eight years. The expansion at Port Kembla will reduce the demand for imported steel and boost the proportion of Australian-made ingots going into flat products from the current 50-53 per cent to nearer the United States proportion of 60-65 per cent.

This expansion will in turn feed Australia's growing appetite for motor vehicles, currently undergoing their own accelerated "Australianisation" programme, and also for structural steel pipelines as the oil and natural gas industries expand.

American Competition

So far so good. But BHP is not working in a competitive vacuum. The company's monopoly in steel-making is being challenged now by Conzinc Riotinto of Australia (CRA), the ebullient iron-ore, coal, lead, zinc and aluminium enterprise which is 85 per cent foreign owned and is forming new alliances with the American Kaiser aluminium steel interests. Hamersley Iron (60 per cent CRA —40 per cent Kaiser) has contracts from Japan for 65-75 million tons of iron ore and 16 million tons of pellets, to be delivered from the company's leases in North-Western Australia, beginning in August next year, and Hamersley is under an agreement with the Western Australia government to set up a steel industry in the state worth no less than £A40 million by 1993. There is no doubt that CRA wants to achieve steel-making much earlier than that, and the company is already talking about making a million tons of steel in 1975, of which a high proportion would be for export.

Similarly, Mount Newman (50 per cent Colonial Sugar Refinery Company—50 per cent American Metal Climax) has contracts from Japan for 100 million tons of ore, and has an almost identical agreement with the Western Australia government for the establishment of a steel industry by the end of the century. When these massive contracts and investment projects are added to those of Mount Goldsworthy Associates (16½ million tons of ore contract), Basic Materials (71.4 million tons of pellets contract), and Western Mining (5 million tons ore) it is easy to see why BHP, so far missing from the new ore developments in Western Australia, is worried and anxious. Hitherto, BHP has had a virtual monopoly of the Australian steel market. It now seems that by 1970 exports of iron ore and pellets from Western Australia will reach 8-9 million tons a year, rising to 16-17 million tons a year by 1975. A further large project to take out 40 million tons of pellets from Tasmania's Savage River is also under active investigation by Pickands-Mather (USA) and Mitsubishi (Japan) in a 50-50 deal.

Meanwhile, the exploitation of New South Wales and Queensland black coal deposits is proceeding apace. Black coal exports are expected to rise from 3 million tons in 1963 to 6-7 million tons a year from New South Wales by 1970 and to 3-4 million tons from the new Queensland deposits at Moura (developed by the Peabody-Mitsui combine) and at Blackwater (developed by the Utah Development and Mitsubishi combine).

Bauxite Development

In bauxite and aluminium, too, expansion continues at a hectic pace. The annual rate of export of bauxite from the 2,000 million tons reserves at Weipa in Queensland will rise from the current level of about 300,000 tons a year to 600,000 tons a year under new export contracts recently completed with Japanese smelters to cover the next decade. Another 1.2 million tons of bauxite a year will be shipped from Weipa, beginning in 1967, to the £A50 million tons alumina refinery at Gladstone in Queensland. Further export markets for Australian bauxite are being developed mainly in Europe, to bring the total output of Weipa bauxite to 2½ million tons by early 1967.

The current development programme at Mount Isa in Queensland, the completion of the new railway to the coast, and full scale production at the new copper field at Cobar, in New South Wales, should together raise production to 150,000 or 160,000 tons of copper concentrates for the rest of the decade, compared with the 1963 level of about 115,000 tons and will bring a much more than proportionate rise in exports.

As if all this was not enough, BHP has recently proved large tonnages of manganese at Groote Eylandt, Northern Territory; production of the detrital minerals, rutile, ilmenite and zircon has greatly increased; a large lead deposit at Rum Jungle, Northern Territory, has been found and tested; progress is being made towards self-sufficiency in tin; there is competition between BHP and Reynolds Metals (USA) on the one side and CSR-Alusuisse on the other for permission to exploit another 150 million tons bauxite deposit at Gove on the Gulf of Carpentaria; and Alcoa has established a 410,000 ton capacity alumina plant at Kwinana in Western Australia.

Oil and Gas Discoveries

Perhaps the most momentous of all have been the oil and gas discoveries in the last two years. Until the Moonie field was brought into production in 1964, Australia was completely dependent on imports for petroleum and refined products. Moonie will meet only about two per cent of annual needs. But progress is being made. In 1964 over 1 million feet of oil drilling was completed against 660,000 feet in 1963 and 400,000 in 1962. Moreover, further discoveries have been made at Alton, 50 miles west of Moonie, at Richmond, 120 miles north-west of Roma, Queensland, and at Conloi, 100 miles north of Moonie. Natural gas has been found in large quantities at a score of places.

About half the exploration permits and licences for oil and gas are owned by Australian companies, but a much bigger proportion of the successful strikes have been made by foreign-dominated companies. Only the Associated Group operating around Roma now commands a significant volume of Australian-owned oil or natural gas. The Commonwealth Treasury has described the minerals bonanza "as the greatest break-through in point of resources since the crossing of the Blue Mountains 150 years ago," but there is uneasiness about the extent to which the resources being developed are under foreign control and ownership. Belatedly, policy lines are being developed that will gradually result in increasing pressure on foreign companies to build up Australian ownership in their concerns.

BUSINESS INVESTMENT

TRANSPORT HOLDING COMPANY

The British IRI

A LABOUR government, even a generally restrictionist one, is likely to give more encouragement to nationalised industries anxious to expand than even an expansionist Tory administration. So the Transport Holding Company, which takes in a whole range of nationalised road transport interests, has done three deals in the past week. Not that any of the deals are straight takeovers: THC cannot of course issue Ordinary shares in exchange for companies, and has to use either cash, or its own assets. But they add up to further evidence that the THC, at least, is convinced that a mixed economy is a good thing, and that there are no hard and fast divisions within which publicly-owned companies need confine their activity. This group of left-over Transport Commission assets has developed, more by accident than by design, into something more like a private business than almost any other nationalised corporation in Britain. The way it is growing both in speed and manner is reminiscent rather of IRI, the Italian state's industrial holding company.

Probably the most interesting deal is that with Leyland Motors. Leyland will get a quarter share in THC's bus-building companies—Bristol and Eastern—which last year produced about 750 vehicles. In return THC will get 30% of Park Royal Vehicles. Demand for buses in this country is static at about 6,000 vehicles a year, with exports taking about another 5,000 units. Leyland already had well over half both markets. Its only competitor now will be Guy and Daimler buses—both made by Jaguar. Not that Bristol was really a competitor. Under present conditions, it was allowed to sell only to other nationalised industries, because it was wholly state-owned. These conditions may well be changed in the near future. But THC has not waited for a possible change in the law. Now, as a mixed company, Bristol (or rather Leyland) will sell to anyone; and Leyland needs Bristol's spare manufacturing capacity—a unique possession in the commercial vehicle business. While this is a good deal for both sides a company not vested with Leyland's aura would not have been allowed to increase its hold on such a market without some protest from someone. For is this not —in simple jargon terms—a sell-out by a nationalised industry to a monopolist?

The takeover by THC of the Scottish Tayforth (as in the rivers) transport group is a simple and logical piece of integration. THC needs to strengthen its network in Scotland, and welcomes the Tayforth management. This is the sort of deal that is regularly arranged by privately owned road transport companies, like Transport Development and the Lep Group. After paying over £5 million—at a fair rate about 20% above the pre-bid price—THC will own 75% of Tayforth, and other former large shareholders the remaining 25%.

The third deal is another agreement to exchange minority interests, as with Leyland. It is in the growing business of the physical distribution of cars from the manufacturers' factories to the retailers. THC, or rather British Road Services, will acquire 49% of a car distribution company now belonging to Western Motor Holdings, giving in exchange 49% of its own parallel business, and an unknown amount of cash. A 43-acre storage site has already been acquired near Birmingham. Although there is growing competition for this business from the railways—and a slump in car sales in the offing, in the long-term this like so many of THC's other subsidiaries is a growth business.

THE MARKET

Needing an Impetus from somewhere

THE past week's economic and political excitements have virtually passed the Stock Exchange by. The relative lack of change over the week in the level of prices gives a truer picture of the inactivity surrounding the Stock Exchange this wet summer than the daily movements, which have been quite brisk. Market gloom centres more on business, which remains thin and looks like getting thinner—with all that implies for stockbrokers' profits—and chance of remaining in employment, than on prices. These, one can hear, are already low enough. This is the sort of premature rumble one often gets a few months before the market actually reaches bottom. And a quiet August is often the signal for the start of a recovery. But with a credit squeeze as vicious as this one it will need astonishingly good trade figures for a couple of months, plus consistent resilience in sterling and maybe a Tory election victory, to offset the prospect of inevitable declines in profits in the market. The only joker in the pack is the possibility of domestic and foreign buying of gilt-edged if sterling looked solid later in the autumn. Certainly a recovery of gilt-edged that took prices substantially above present levels is a precondition of any real recovery in the equity market.

The week itself was a see-saw. Investors were happy on Friday on Sir Alec's departure (*Economist*-Extel Indicator 2 points up at 368.2); unhappy on Monday and Tuesday anticipating fairly exactly the deflationary moves foreshadowed by the Prime Minister over the weekend; see-sawing Wednesday and Thursday, balancing the arrival of Mr Heath (good for the Tories the sooner to get "that bunch" out) against the Chancellor's gloom. Gilt-edged moved up on the traditional theory that what is good for sterling is good for them but yields on the prevailing glut of industrial debentures (themselves an early and ominous sign of the grip of the credit squeeze) show no sign of falling from the 7¼-7½% range.

In Equities Insurance shares have shown

KEY INDICATORS

MOVEMENTS ON THE WORLD BOURSES

LONDON
Apathetic despite political and economic excitements.

NEW YORK
Steady after escalation in Vietnam proves to be less than expected.

ITALY
Buoyant on expected government help.

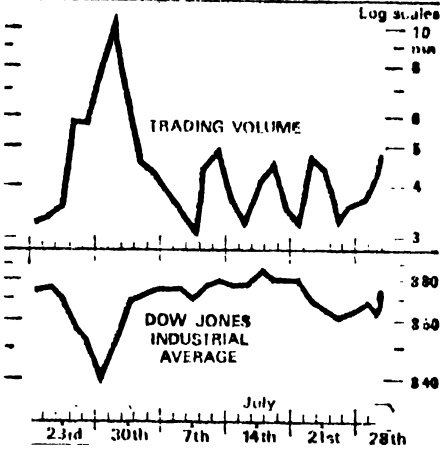
	INDICES		Percentage change from:		
	July 21 †	July 28 †	A week ago	A month ago	A year ago
London	366·3	362·4	−1·1	−1·1	−12·6
New York	865·0	867·9	+0·3	+3·2	+3·6
France	85·5	88·5	+3·5	−2·0	−8·8
Germany	93·3	93·6	+0·3	+4·9	−10·8
Holland	335·5	330·3	−1·5	+3·1	−0·2
Italy	54·4	56·1	+3·1	+5·1	+3·3
Belgium	125·6	127·3	+1·4	+1·4	−0·8
Sweden	258·6	259·9	+0·5	+3·4	+16·5

* For Bases and Stock Prices and Yields see pages 489 and 490.
† London, July 22nd and 29th.

some resistance and could even rise—now that the market has had time to think about the new tax structure; Commercial Union at 45s. 6d. is at its year's high. Excitement in the shipping sector at the prospect of increased shipments of arms and materials stemming from the war in Vietnam lifted prices, and even P and O went up 1s. 6d. The illogicality of marking up liner shares may well indicate just how eager a few bulls are to find something to go for. Equally unrealistic, though scarcely surprising, has been the recent boom in gold shares which has lost its impetus over the week; the contrary movement of Kaffirs and industrial shares seems more a reflex action than the result of sane reflection of the possibility of a rise in the price of gold, which looks the only event capable of protecting the mines this year against their rapidly rising costs. But in a dull market small investors must have something to gamble on.

The major boardroom row of the past weeks—the British Printing Corporation affair—has passed the noisy stage while possible conciliation moves are discussed and Mr Harvey's long-delayed answer to the charges against him is in cold storage for the moment. In the other squabble, Mr Fischel has replied to the allegations of his fellow directors of Cranleigh Group, who are seeking to have him removed from the board; shareholders who want a Board of Trade inquiry must now wait a month or so while counsel prepares their case.

NEW YORK MARKET



In the first months of the year daily trading volume on Wall Street averaged 5 or 6 million shares. Since the brief flare-up when the bear market ended in the last few days of June trading—as the chart shows—has been low. Even on Wednesday this week, the most active day for weeks, volume was below 5 million shares.

COMPANY STOCKS

Taking Stock of Stocktaking

THE news that H. S. Whiteside, the peanut and Pan Yan Pickle company, has discovered an overvaluation of £730,000 a quarter of the total—in its stocks is scarcely shattering in itself, except of course to shareholders, who will see this amount written off their reserves. Brockhouse and Ruston and Hornsby are among the big public companies that have run into this trouble recently. Physical stocktaking in a busy factory is always likely to be inaccurate to some extent, though a conservative valuation method will prevent any overstatement of stocks on the balance sheet. But auditors have to accept the valuation of people who know the business and the worth of a wide variety of raw materials as well as semi-finished and finished products; and it is often the necessarily passive way in which these valuations are accepted over a number of years that leads to eventual trouble.

Apart from deliberate overvaluation by company officials, stocks may become overvalued because they are turned over slowly and become out of date but are still valued at cost instead of the market value which is then the lower one. This may occur in a period of falling prices—or of speedy obsolescence leading to the necessity, not faced for years, to scrap expensive parts—Ruston & Hornsby's trouble. One counter to such overvaluation is to use the last-in-first-out (LIFO) system, whereby it is assumed that the last item put into stock is the first to be withdrawn. But this system gives stocks a "true value" that they had many years before and in a period of rising prices leads to a vast undervaluation of stocks. Most companies in this country use the first-in-first-out (FIFO) system which seems intuitively right and gives a more up to date valuation. The Revenue, moreover, virtually insists on FIFO, since it wishes to tax the actual profit made when stocks are sold rather than the reduced profit that would result if LIFO were used in a period of rising prices. To offset the overvaluing tendency of FIFO, companies should constantly review values to ensure that the market value of stocks has not dropped below their cost. Some do, without making too much of a song and dance about it. Penguin Books says only that its valuation system "has been in use since 1947." In fact the company writes down the value of its stocks every three months, writing them off entirely over fifteen months. It also controls the inflow of books into stock so that at any time the valuation of stocks is very close to the amount that could actually be realised by selling the books.

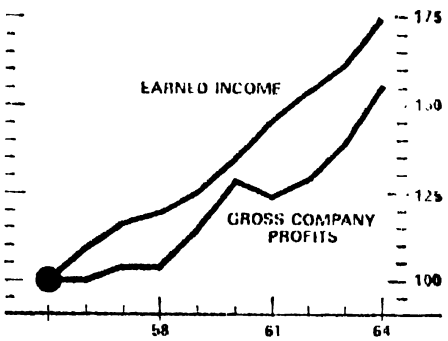
Not all companies have a system as well thought-out as Penguin's. But technical overvaluation of stocks is rare: the more usual, though still rare, cause is incompetence within the company. In one furniture company the auditors had accepted stocks at the managing director's personal and unverified valuation over many years. Then he died, and a very large overvaluation was discovered. Should auditors then insist on a technical evaluation by some independent expert, if not every year, then with some regularity? Cases like that at Whiteside, where a firm of chartered accountants has been called in to make an independent inquiry, should at least jolt auditors against too easy an acceptance of time-honoured means of valuation by time-honoured people.

COMPANY PROFITS

Mr Brown and Dividends

BROTHER BROWN is watching dividends, his attention having been caught by a rise of 28% in dividends for the first quarter, according to *Financial Statistics*. These figures include private companies. And the rise in the standard rate of tax in April encouraged companies to advance the date of dividend payments to the first quarter: socially lamentable perhaps, but a direct result of the unprecedented official anticipation of the April budget in the November one. Quoted companies publishing their accounts in the first quarter showed dividend increases of 17½% on *The Economist* analysis. But dividend increases of this order cannot possibly be sustained. These are merely the final flickerings of the dividend boom that has underlain the stock

WAGES AND PROFITS 1955=100



market in the last fifteen years. For this reason Mr Brown should be watching the trend of profits. From the same page of *Financial Statistics* he will see that trading profits of companies in the first quarter of the year are estimated to be no more than 6% above the previous year's level. And one must remember that this is the favourable phase of the company profits cycle. The chart shows what happens to company profits in the off phase. It also shows how company profits have behaved over the decade in relation to earned income. By bandying that 28% about Mr Brown may have misled the very people he is trying to pacify in the trade unions, and possibly himself as well.

DIVIDENDS

The Bank's Other Reserves

SHOULD public sector dividends be watched too? Mr Brown might make a start with the Securities Management Trust. This subsidiary of the Bank of England is now a nominee company. It was formed by Montagu Norman in the

1930s to hold industrial securities, notably those acquired in the Bank's then quite extensive schemes of industrial rationalisation. The activity must have been profitable. The company has recently paid out to its parent a dividend of just over £3 million, its first distribution ever, representing the accumulated profits of some 35 years. This sum is naturally far in excess of its current rate of profits, which amounted last year to some £578,000. By paying out these profits as dividends now, rather than after next April, this company, like so many others, saved income tax on the distribution. With further tax finesse, the management has managed to avoid being caught by the old Clause 78 in the Finance Bill, designed to prevent "forestalling" of this sort. True, these dividends are less likely than others to be spent—they will increase the Bank's own profits. The Bank pays over to the Treasury only the profits of the Issue Department: the rest it keeps, and never discloses to the public—or even the Treasury.

UNIT TRUSTS

Look Before You Buy

INVESTORS in unit trusts, bemused enough by the variety, are going to get worse confused if the same labels are used on different trusts. Managers tend to use fairly wide definitions and bring into the portfolio substantial outside interests. So there may be big differences in approach and investment policy between apparently similar trusts labelled, say, "capital" or "income."

This week there have been two block offers by trusts both claiming to concentrate on income: National's High Income and Save And Prosper's Income Units. The former aims at "a high income return," the latter at "a good stable income with prospects of moderate capital growth." Although both have about 30% of their portfolio in fixed interest stock, the differences of aim are shown clearly by the distribution of the rest in equities. To maintain its yield of 7¼% (after allowing for tax changes) the High Income trust has just over a sixth of its equity portfolio in mining and base metal shares and a substantial proportion in oil and rubber shares. It is, then, prepared to take the risks involved with commodities and the unpopularity of oil shares. Income Units, however, relies on its large fixed income stock portfolio for high yield (7¼-7½% is the average rate at the moment) and invests the rest of its portfolio over a wide range; its overall yield of 5¾% is, in fact, less than that of *The Economist*-Extel Indicator and its name is consequently a little misleading. On the other hand, the income looks a good deal more secure than the High Income.

Both trusts have capital growth potential from their fixed income portfolio when the credit squeeze finally damps down the demand for money and its price. But this gain could be more than offset by a further decline in equity prices; if this does occur, the higher yields and present unpopularity of the mining and commodity shares may well act as a support to prices and so to High Income's units. But High Income, with so much of its income fixed, is in a weak position to counter any dividend cuts in a downswing of the commodity cycle. If investors are not prepared to run this risk, they would do better to buy Income Units. The difference between the two trusts is much greater than the very similar names suggest.

SANITAS TRUST

Cleanliness is next to Profitability

A RISE of a fifth in the pre-tax profit to £1 million for the year to March 31st and the forecast of a similar rise in the current year have disappointingly left Sanitas Trust shares only 9d. above their 1965 low at 13s. 6d, where they yield 5.8%. Admittedly this is now just below the average, but since 1962 the company has doubled its profits, after six years of stagnation, and the dividend has risen by a third; the subsidiary companies have been carefully integrated and a group purchasing system has just been started, which enables costs to be cut by up to 2½% through bulk purchasing. The credit squeeze should not affect the company's sales at home (£4.5 million last year) since they are mainly basic household goods, and a full year of export rebates will be felt from the overseas sales (£2 million). Although cover is only 1.5 under the old system the expected growth in profits will enable the dividend to be maintained comfortably without reducing retentions too much.

Sanitas was widely tipped in the early days of the lung cancer scare because of the company's Aquafilter subsidiary, which makes disposable cigarette filters, but in fact this is only a very small part of the group, which manufactures disinfectants, soaps, patent medicines, cosmetics, toothbrushes and shoe polishes, as well as Elsan sanitary equipment. Nearly a quarter of last year's profits came from the "Beauty on a Budget" Rimmel cosmetic subsidiary, which increased its profits by 42%; other fast growing, though small, subsidiaries are Spa Brushes (toothbrushes and other brushes), Tuxan (shoe polishes) and Wright, Layman and Umney which makes Wright's Coal Tar and other soaps for sale under the buyer's name—a growing masket. Half the group profit came from Sanitas Sales, which showed little growth over the previous year; no further breakdown is provided, however, but the chairman, Mr R. Caplin, does hint that pharmaceuticals and disinfectants have been holding profits down, although some improvement is expected this year.

New companies are still being added to the group, the latest being Grahams Medical Products, which makes disposable hypodermic syringes, and some profits growth can be expected from this source. But the main investment attraction of Sanitas is that it makes basic products which have a fairly assured market at home and also have a low price: rising costs can be countered by a small absolute but fairly large proportional rise in the product price. Overseas the demand for the group's products is rising as standards of hygiene improve. If Sanitas can continue its recent profits growth the shares are reasonably cheap.

RUSTON AND HORNSBY

Efficiency Pays

RUSTON AND HORNSBY is one of the country's leading makers of diesel engines accounting for nearly a third of total exports. But the profit record is dismal: pre-tax profit declined by two-thirds in eight years to £566,000 in 1964, when only the dividend from the half owned Ruston-Bucyrus construction plant company prevented a loss. The one third increase in trading profit for the year to March 31st to £1.7 million owes much to the appointment of Mr J. F. Mallabar (a former finance director of Plessey) to the chairmanship of the board in February 1964, and his subsequent reorganisation of the management chain and tightening of financial controls.

The boost to Ruston's profits to be expected again from a further improvement in efficiency will be assisted by rising sales; orders on hand at £15.7 million are half as high again as in 1964 and these cover the whole range of the company's products: diesel engines for ships, power generation and rail traction, gas turbines, mainly for power generation, small rail locomotives and transmission gears. The new AO diesel with its geodetic construction has obvious power/weight advantages over other marine engines. Ruston should eventually reap a big reward for the effort and money it and the National Research Development Council have put into developing the new engine. But over the next two or three years profits will have to come from increasing efficiency and selling more established products.

The shares are now 40s. and yield 5%. At the time of the English Electric offer of a manufacturing link—rumoured to be a takeover bid—they rose sharply to 47s., and the comparatively small decline since, in spite of a weak market generally, suggests that investors are as confident as the Ruston board that the company can do well on its own. The dividend has been lifted to 10% after last year's two point reduction to 7%; cover is over three times but the tax charge was almost nil as a result of the carry forward of the previous year's losses. A maximum corporation tax charge of 40% would have left the gross dividend covered 1.3 times. The net overdraft is down by a quarter to £2.2 million and capital expenditure—last year just over a third of the depreciation charge—is running at a low level. The dividend, then, looks safe enough and the cash position is not tight. But a recovery in the share price could take quite a long time.

THE MOUNTAIN COPPER COMPANY, LIMITED

SIR DENYS LOWSON

REVIEWS PROGRESS IN 1964

The sixty-third Annual General Meeting of The Mountain Copper Company, Limited was held on July 26th in London, **Sir Denys Lowson, Bt** (the chairman), presiding.

The following is his circulated review for the year 1964:

Events during the past year have continued much as I forecast twelve months ago in my address to the 1964 Annual General Meeting.

We have continued our researches into the possibility of treating the iron pyrites ore in Shasta County, but so far without success; though we are still following up various possible lines. As regards Martinez, on our chemical side we have continued to produce some excellent products, and we also have new lines both in zinc and iron. We enjoyed good sales of our copper chemical products, but unfortunately we suffered severely from the sharp rise in the price of scrap copper (our basic raw material) and the difficulty in obtaining adequate quantities; which more than cancelled out the advantages of our increased volume of production. Over-all, our chemical results show that although we are still making a loss we have more nearly approached the break-even point, and that some effective economies have been made. As I told shareholders before, it is difficult to visualize our being able, with our existing lines, to make any substantial profit from this field of operation; but I am hopeful that our sound Research Department, under the skilful guidance of Mr Matzinger and Mr Watson, may continue to find new products which we can manufacture and sell successfully.

We have continued a very active exploration policy to find a new mining property; and although we have examined a considerable number none has so far proved suitable. During the year six prospects were investigated in places ranging from Canada to the South of the United States. Five prospects are currently under investigation; of which one is under an exploration lease. It is the policy of your Board to continue expenditure on mining exploration in addition to continuing research on the reactivation of the Shasta pyrites mine. I would like to express our warmest thanks to Mr C. W. McClung, our General Manager and the President of our wholly-owned subsidiary Mountain Copper Company of California, for his untailing efforts and hard work throughout the year, not only in the field of mine exploration, but also in the encouraging developments which we have seen at Martinez.

SAN FRANCISCO CHEMICAL CO.

As regards the San Francisco Chemical Company, this company has continued to go from strength to strength under the ever able and enthusiastic leadership of Mr D. L. King, its President. Both sales and cash flow have again been at record levels.

Mr King has been the creator of the San Francisco Chemical Company, and during a period of almost twenty years there has hardly been a year when sales have not continued to increase or we have not made some other major step forward. Last year was no exception; though the sales increase was somewhat smaller than in 1963, and handicapped by various strikes. Our so-called captive sales to the Stauffer Chemical Company and its Associates now amount to about one-third of our total sales, two-thirds going to other markets which we have been able to develop ourselves both in the United States of America and in Canada. This compares with captive sales of over four-fifths at the time when the Stauffer Chemical Company first acquired its interest in 1956. It would seem to be clear that with the continuing increase both in the size of the world's population and also the general rise in the standard of living, the demand for food and therefore for fertilizers will continue to grow; and that the long term outlook for phosphate rock and all forms of derivatives therefrom should be very favourable.

STAUFFER COMPANY'S TAKE-OVER EFFORT

As shareholders will be aware, there was a very vigorous endeavour by the Stauffer Chemical Company to capture control of this company last year, and this attack continued for many months thereafter. I am happy to say that it has been possible to repel the boarders. It is difficult to decide the precise reasons which have caused this particularly violent effort on the part of the Stauffer Chemical Company to acquire control of this company; but if our holding of half the San Francisco Chemical Company is so valuable to them, it would seem not unreasonable to think that it is at least as valuable to our own shareholders. We naturally have the benefit in America of some protection from the various anti-trust regulations, and providing the business of the San Francisco Chemical Company is allowed to continue to develop normally and in its own way, I continue to be optimistic about its future.

IMPORTANT DEVELOPMENTS

The San Francisco Chemical Company still owns the largest known natural deposit of phosphate rock in the Western States of America at Vernal, Utah, covering some 15,000 acres and estimated to contain over 750 million tons of phosphate rock amenable to low cost open cast mining with an average grade of about 20 per cent P_2O_5, and perhaps 1,000 million tons altogether. I am happy to say that, through Mr D. L. King's efforts, this property is now reaching the stage of general commercial production, having secured satisfactory road and rail tariffs, instead of having merely one captive outlet to the Stauffer subsidiary at Garfield, Utah. In the absence of normal rail connections to Vernal itself, the importance of this development to the company's future cannot be over-emphasised.

In addition, at the Cherokee underground mine in Wyoming (where productivity in tons per manshift in 1964 was at a record figure) further development has taken place in 1964. This will allow underground production to rise in 1965 to a figure of some 700,000 tons of finished product per annum, which is regarded as the maximum desirable in the light of the known reserves and the lay-out of the ore bodies. It is estimated that this should be good for at least twenty years. Parallel to this development is the planned expansion of reactor capacity at Leefe coupled with improved milling and storage facilities.

During 1964, the Chemical Company signed two new major supply contracts, and there seem to be good prospects of additional business both during the current year and again in 1966.

During 1964, discussions have been held with a number of large companies who were interested in the establishment of a new and major manufacturing complex at Vernal to be supplied with Vernal rock. Whilst it is disappointing that no firm undertaking has yet been entered into, your Board remains convinced, both from the nature of approaches made in this country and the United States and from the proven record of the Chemical Company in the supply of phosphate rock from Vernal, that this further advance should take place in the not too distant future.

BOARD'S CONFIDENCE

The foregoing review will underline the great confidence that your Board continues to have in the future of the Chemical Company under its brilliant President, Mr D. L. King, provided that both shareholders work in harmony and for the continued expansion of the company. To Mr King's colleagues in the management of the Chemical Company—and in particular to Mr Stevens, Mr Martz and Mr Duncan King, as well as many others—the shareholders owe a great debt of gratitude.

We have again received, in respect of 1964, a small dividend amounting to $100,000 from the San Francisco Chemical Company. This, combined with the dividend of the same amount which we received from that source in respect of 1963, has allowed us to pay last March a small dividend of 6d. per share on the Mountain Copper Company's own shares. I am happy to say that all our bank loans have now been repaid; but we will still require to add to our working capital as opportunity offers.

Future dividends on our own shares must, for the time being, naturally be largely dependent on distributions coming from the San Francisco Chemical Company. There is every indication that earnings of that company will again show some increase for the current year; but at the same time it again has a new and heavy capital and development programme, while of course there are also further uncertainties arising from the current British Finance Bill.

I am naturally anxious to preserve for this Country the fine national asset which we have in the Mountain Copper Company; and which seems to be so highly prized by our friends over the seas. This, in the years to come, could be a substantial dollar-earner, and I hope for its continued growth and development.

The formal resolutions were carried unanimously, as was the warm vote of thanks to the Chairman, Sir Denys Lowson, Bt, to the directors, and to the Secretary and staff in London and America.

Beecham Group

SUBSTANTIAL TRADING PROGRESS

Addressing the shareholders of Beecham Group Limited on July 28th, 1965, the Chairman, Mr. H. G. Lazell, reported as follows:

10% INCREASE IN SALES
28% RISE IN TRADING PROFIT
59% RISE IN OVERSEAS EARNINGS

Food and Drink Division

This has been a year of consolidation in the Food and Drink Division and results are satisfactory. Excluding confectionery, turnover has increased from £20.1m. to £22.3m. Very considerable progress has been made in our soft drinks business and I look forward to further expansion.

Toiletry Division

Sales of Maclean's Tooth Paste in the U.S.A. continue to expand and now exceed sales of Brylcreem. This opens a new chapter in our overseas toiletry business. Profit from our toiletry company in the U.S.A. this year exceeded £850,000. Now that we have a viable business in the U.S.A. we can turn to Western Europe.

We have taken the first step by acquiring a 51 per cent interest in the leading West German cosmetic business, Margarete Astor A.G., and we are negotiating to increase our shareholding. We also acquired world-wide rights, except in the Common Market countries, for the products of Blendax-Werke Mainz, and negotiations are continuing for the Common Market rights outside West Germany. Margarete Astor will manufacture certain Beecham products, including Brylcreem. They will be distributed throughout West Germany by the Astor and Blendax sales force which number over 350 representatives.

Pharmaceutical Division

The main feature in the Pharmaceutical Division has been the progress of the new Beecham penicillins—especially the broad spectrum antibiotic, Penbritin. Use of these life-saving medicines in all parts of the world is developing successfully. Advances in production efficiency at our Worthing antibiotic plant have enabled us to achieve larger output and make significant reductions in the price of our penicillins (notably Penbritin) to the National Health Service and to our customers overseas.

A large part of the output from the plant is exported, and Beecham penicillins now account for one-fifth of all exports of antibiotics from the U.K. A massive drive to exploit them overseas is building up and we hope to earn a substantial reward from our discoveries provided that world-wide patent protection is not eroded.

	1964/5 £ million	1963/4 £ million
Home Sales	42.24	39.67
Overseas Sales	24.76	21.42
Total Sales	67.00	61.09
Trading Profit	12.42	9.70
Ordinary Dividends	2.63	2.42
Retained Profit	2.51	2.10
Ordinary Dividend Rate ..	20%	18%

Overseas Investment and Dividend Policy

Commenting on this, the Chairman went on to say:-

I have pleasure in reporting that sales for the first three months of the current year show an increase of 10% over the previous year. This increase is mainly due to continued growth in the U.S.A. and in sales of our new penicillins. It also reflects an improvement in food and drink sales.

I think I should state the board's attitude to the dangerous suggestion, which has been recently voiced, that the interests of a company may differ from those of its shareholders.

The debate on the degree of separation between the company and its shareholders has been brought to a head by discussions on dividend policy and in some quarters it is being suggested that dividends can now be increased only at the expense of overseas investments, or vice-versa. So far as Beecham Group is concerned, we believe that it is in the interests of shareholders to proceed with overseas investment.

We are an international business—particularly in the toiletry and pharmaceutical fields—and we cannot split our business into home and overseas and deal differently with each part. In fact, if we do not compete abroad, we will suffer at home in the long-term.

In the foreseeable future, we have excellent opportunities for growth in the wealthier areas of the world, and the board would not be carrying out its responsibilities to shareholders if it neglected to seize the opportunities which exist in these areas.

This will call for much investment overseas but I believe that, so long as we manage the company successfully its profits will grow sufficiently to off-set the latest increases in taxation and so enable us to achieve appropriate increases in dividends.

LAPORTE INDUSTRIES

Growth of Laporte income conforms to forecast

	1965 £	1964 £
SALES to Customers outside the Group	26,515,502	24,822,311
GROUP TRADING PROFIT	5,525,585	4,762,825
GROUP INCOME BEFORE TAX	3,164,649	2,671,693
NET PROFIT OF GROUP attributable to the Members of Laporte Industries Limited	1,809,018	1,684,046
NET INCREASE IN COST OF FIXED ASSETS	3,376,832	5,102,001
AMOUNT CHARGED FOR DEPRECIATION	2,025,868	1,873,042
TOTAL NET ASSETS	38,583,338	37,272,771

Extracts from the Statement at the 58th Annual General Meeting of Laporte Industries Limited, by the Chairman of the Company, the Rt. Hon. Lord Hill of Luton.

The salient feature of the Report of the Directors now before you is an increase in Group Income or Profits before tax of £493,000 or 18½% over that of the previous year.

This improvement conforms to the rate of progress which my predecessor anticipated when he prophesied two years ago that Group Income would be doubled in the succeeding five years.

I am reluctant, bearing in mind the general economic climate, to read too much into the figures for a three months period. I will just say that Group Profits for the first three months of the current financial year are significantly higher than for the corresponding three months of last year.

Investment

Last year, the net increase in the cost of fixed assets was £3,376,832. In the last five years, we have spent on additions to these assets, nearly £18,500,000—a measure of the extent to which we are keeping pace with improved technology and the increasing demand for our products.

The profits of a modern chemical company, depend, in no small part, on the decisions and the investments of years before. They depend too, on its investment in research and development, on which Laporte spent approximately a million pounds during the year under review.

Exports

Exports are an important part of our business. During the year we increased them by about one-fifth and at £6.4 million, they represent 27% by value of all our U.K. production.

Licensing

Increasingly, Laporte is benefiting from the licensing of its technical 'know how'. Pre-eminent in this development is our A.O. hydrogen peroxide process which has already been licensed in Germany, Spain, France, Japan and Italy.

Corporation Tax

I feel bound to tell you, as best I can, of the effect of Corporation Tax and the payment of income tax deducted from dividends on your Company's finances.

The future effect cannot be estimated with any precision, for any comparison between the effects of the old and the new methods of taxation depends not only on the level of profits but also on the level of capital expenditure.

What can be said is that had the new tax structure, with Corporation Tax at 40% been applicable to the year ending March 31st, 1965, the amount shown in the Consolidated Profit and Loss Account of £653,000 retained in the Group would have been reduced by over £540,000. With a Corporation Tax of 35% the reduction would have been about £450,000.

Organisation

Expanding companies like Laporte need, from time to time, to re-examine their basic organisational structure to ensure that it is adapted to its larger size and equipped to meet the challenges of the modern world. This, we have recently done.

We decided that, as from July 1st, the activities of the Group should be divided into three accountable Divisions, two for the U.K. operations and one for overseas.

The General Chemical Division in the United Kingdom will comprise the present operating companies—Laporte Chemicals Limited, Peter Spence & Sons, Limited, Laporte Acids Limited and Glebe Mines Limited.

The Organics and Pigments Division in the United Kingdom will comprise the present operating companies—Laporte Titanium Limited, Howards of Ilford Limited, G. D. Holmes Limited and the Fullers' Earth Union Limited.

Your Board believes that these changes will have a markedly beneficial impact on the effectiveness and profits of the Laporte Group.

Conclusion

It is traditional, I know, for Directors to express confidence in the future. I cannot do this better than by quoting a sentence or two from the Directors' Report:

"Weighing the known, favourable and unfavourable, and taking a conservative view of the imponderable and the uncertain, we take a confident view of the future of Laporte. This is a good Company, which enjoys the services of a fine staff to whose skill and loyalty we pay our grateful tribute.

That Laporte will become even stronger and more prosperous we do not doubt."

These are not just pious hopes, but an expression of a firmly held belief of your Directors.

Copies of the Report and Accounts may be obtained from the Secretary, Laporte Industries Limited, Hanover House, 14 Hanover Square, London, W.1.

GRÄNGESBERG

STEEL • IRON ORE • SHIPPING

STOCKHOLM • SWEDEN

Trading profit up 45% — Turnover 31%

GENERAL REVIEW OF 1964

With its iron and steel plants, iron ore mines, and shipping fleet operating at full and expanding capacity, Gränsesberg during 1964 made one of its greatest advances in trading profit as well as turnover. Total income before depreciations and taxes was Swedish Kronor 240.5m. (£16.6m.). The dividend was again raised, now to Kr. 10 per share of par value Kr. 100 (£6.18.4).

The Parent Company's Profit and Loss Account shows a gross trading profit of Kr. 173.5m., which in fact — taking into account an increase in the reserve on stocks as shown separately — reads Kr. 183.5m. (£12.6m.). This is 45% up on the 1963 profits, topping a series of annual gains that have raised trading profit by 90% since 1960.

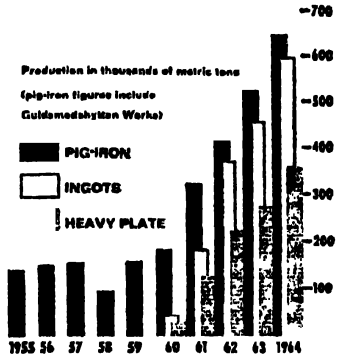
In that year, with Gränsesberg still at the height of its heavy investments which followed the State purchase of the LKAB mines, the first plate was rolled at the new Oxelösund Iron and Steel Works; the Strässa mine had its first full year of operation; construction started for the Lamco mining project and new larger vessels were being built or planned. Since then, the Company's external sales have increased by 95%, and the Group turnover doubled to reach a 1964 total of Kr. 835m. (£57.7m.). This climb reflects the expanded scope of Gränsesberg's activities both in the existing branches and through the acquisition of subsidiaries for steel fabrication.

The profit growth from 1963 to 1964 was even higher than that of turnover, which increased by 31% to Kr. 709m. for the Parent Company. This is credited mainly to the further containment of operating costs, achieved in part by the increasing volumes in all major operations but also by continued progress in productivity and planning efficiency. Price rates were not a significant factor in the improvement, although their downward trend of the seven preceding years did come to a halt during 1964. Investments were still at a relatively high level, and depreciations were the largest ever. Gränsesberg's financial situation is mirrored by the fact that at the year-end liquid assets alone covered both current and long-term liabilities with an increased margin.

IRON AND STEEL BUSINESS

50% of Swedish Heavy Plate from Oxelösund

The production of steel plate at the Oxelösund Iron and Steel Works continued to increase rapidly according to plan and amounted to 353,000 tons. Plate deliveries included greatly increased quantities, for home and export markets, of the high tensile, micro-alloy steels developed at Oxelösund for welded constructions such as heavy pipe, ships' hulls and storage tanks. Further expansion is underway and by early 1968, the capacity will have been raised to 700,000 tons of rolled products. At the same time, according to a recent announcement, the Works is to have installed an LD/LDAC oxygen steel furnace for 120 ton charges as well as equipment for the continuous casting of ingot steel with a capacity of 350,000 tons. The blast-furnaces at Oxelösund and Guldsmedshyttan, whose aggregate output of pig iron in 1964 rose by nearly one-fourth to 664,000 tons at the lowest consumption of coke so far, will also have additional capacity by 1968.



Machinery and Steel Fabrication. As before, part of the Oxelösund plate was used within the Group for further fabrication into pipes, storage tanks, welded girders, bridges and other structural steel work. During the year, Gränsesberg coordinated its activities in this field following the acquisition of three additional engineering subsidiaries, including one with four plants in the EEC area.

Stainless Steel. On January 2, 1965, the remaining 50% share interest in Nyby Bruks AB was purchased. The main products of this new wholly-owned subsidiary are stainless steel sheet and plate as well as seamless and welded tubing. Sales in 1964 reached roughly Kr. 140m. and about 60% stemmed from exports.

Glass. A new plant for "Polarpane" was put into operation during 1964, greatly increasing Oxelösund Glassworks' capacity for these insulating windows.

IRON MINING BUSINESS

Strässa Pellets in Strong Demand

Company Mines in Sweden. **Once again both deliveries and production at the Company's mines in Central Sweden — Gränsesberg and Strässa — reached new highest volumes. Deliveries amounted to 2.82 million tons, the major part being exported via Gränsesberg's own port at Oxelösund. Chief recipients were Britain (63% of exports), West Germany (9%) and Belgium (5%).**

At Strässa, the new pelletizing plant surpassed its planned annual capacity by one tenth, with production reaching 220,000 tons during its first full year of operation. In mid 1966 production will be started at a twin pelletizing plant, now under construction.

Lamco Joint Venture. Gränsesberg's investment in the Lamco iron mining project in Liberia, for which the Company serves as Manager and Sales Agent, gave its first returns **During 1964 — its first full year of production — the mine at Nimba yielded 7.2 million tons of high grade ore (average analysis 67%). Deliveries reached 6.9 million, with over one third going to USA, and a similar share to West Germany. New agreements signed during the year brought the contracted quantity for 1965 to well over 8.0 million tons. In June of this year, a decision to build a 2-million-tons pelletizing plant at Buchanan Harbour — the first in Africa — was announced along with plans to raise the mine's production to 10 million tons.**

SHIPPING, PORT AND RAILWAY BUSINESS

The Company's fleet of ore/oil and bulk carriers **has operated at full capacity throughout the year. Freight rates have been fairly steady; and although they could not be regarded as satisfactory, they were slightly higher than in 1963. Ore shipments increased by three million tons, largely due to the added transports of Liberian ore. The 33 ships in operation at the year-end totalled 717,300 dwt. One of the two new ships delivered during the year was a 66,100 ton ore/oil carrier from Japan, and a sister ship was delivered in May 1965. Two ore carriers of about 71,500 dwt each are on order at a Swedish yard.**

Gränsesberg's Railway and the Port of Oxelösund **both enjoyed record turnovers in goods handled. Increased quantities of iron ore from non-Company mines were carried on the railway for export via Oxelösund or for use in the iron and steel works there. Other commercial traffic on the railway and through the port also [illegible] siderably. Large [illegible] for increasing the port capacity are being completed during 1965.**

HIGHLIGHTS OF 1964

PRODUCTION	1964	1963
	(1 000 metric tons)	
Iron ore (Sweden)	2,733	2,538
Iron ore (Lamco)	7,230	2,430
Pig Iron	644	521
Sponge Iron	36	34
Steel Plate	353	274
Pipes (subsidiary)	64	71
Glass (mill sq.m.)	4.3	4.4
SHIPPING		
Shipping fleet (Company-owned vessels on 31 Dec., 1,000 dwt)	717.3	630.6
Swedish ore export cargoes	11,982	10,404
Other cargoes	4,753	3,447
Port of Oxelösund:		
Company ore exports	2,093	1,699
Ore and imports for Oxelösund Works	1,363	1,190
Other exports and imports	1,108	778
Transports by Company railway	6,231	5,154
Personnel (Average):		
Sweden	10,017	9,002
Overseas	4,798	3,994
TURNOVER		
Iron Ore	137.2	123.5
Iron and Steel	382.3	285.1
Shipowning Business	202.7	154.9
Other Business	68.1	51.1
	790.2	614.5
Less internal deliv.	80.8	71.5
Total Parent Co.	709.4	543.0
Total Group	834.9	615.2
FROM THE ACCOUNTS		
Trading Profit	173.5	125.8
Total Income	230.5	169.6
Depreciations	159.9	110.5
Taxes	20.6	16.1
Net Profit	50.0	43.0
These figures do not show an increase made in the reserve on stocks of		*nil increase*
FROM THE BALANCE SHEET		
Fixed Assets	1,022.9	1,047.2
Current Assets	444.8	419.5
Long-term Liabilities	145.9	138.6
Short-term Liabilities	70.1	73.5
Capital & Reserves	1,251.7	1,047.2
Share Capital	500.0	500.0

Declared Dividend for 1964 Kr. 10 per share (1963, Kr. 9) = Kr. **50,000,000.**

This statement is a review of the Annual Report adopted at the Annual Shareholders' Meeting held on May 21st, 1965. Copies of the full report in English are available from the Secretary at the Head Office, Box, Stockholm 16, Sweden or from Gränsesberg Shipping (London) Ltd., 41 Mincing Lane, London EC3.

THE MIDLAND TAR DISTILLERS LIMITED

RESULTS SHOW SUBSTANTIAL IMPROVEMENT

BOARD'S POLICY OF DIVERSIFICATION

MR R. B. ROBINSON'S STATEMENT

The forty-third Annual General Meeting of The Midland Tar Distillers Limited was held on July 23rd at the registered office, Springfield Chemical Works, Oldbury, **Mr R. B. Robinson, BA** (the chairman), presiding.

The following is an extract from the statement by the chairman which had been circulated with the report and accounts for the year ended March 31, 1965:

The Accounts for the year show a substantial improvement over those for the previous twelve months. Profit before tax at £331,242 is 25 per cent above the previous figure and the net profit carried to Appropriation is £185,043, compared with £142,771 a year ago, though it should be noted that there is this year an increase in benefits from Investment Allowances of £22,500. We are again recommending a dividend of 12½ per cent less income tax on the Ordinary Shares.

EXPORT SALES

It will be seen from Note 1 on the Accounts that our export sales represent some 16 per cent of the total turnover. Tar Acids are a major item and there is a substantial market in the United States, but even so a considerable volume of sales is spread over Europe and the Far East. All these markets are visited regularly by commercial and technical representatives in order to support as effectively as possible the efforts of an excellent series of foreign agents. We have in addition a substantial export sales responsibility for meta-cresol grades on behalf of BETPA, the export company set up by the principal United Kingdom producers to look after this range of products. The company was formed last summer and its efforts have already had a most healthy effect upon markets not only abroad but also at home.

Trade in tar products generally has been good all round. Expenditure on the roads of this country does not automatically mean increased business in road tar, although there is plenty of road tar available. We have to aim all the time at increasing and applying our technical knowledge and improving our service. Modern traffic demands roads to match and this means, both on the national and local scale, constant research and experiment in road construction. We have to see to it that the particular materials we offer are fitted to do their task.

PROSPECTS FOR TAR

Tar distillation and refining still constitute the major proportion of our activities and it may thus be useful to refer briefly to the future prospects for tar, as I see them.

Refinery gases, methane and petroleum distillates all provide today, after appropriate treatment, cheap and flexible sources of Towns gas and all new gas plants are being based on one or other, or a combination of these; indeed many of the older coal carbonisation plants have been shut down and this process is continuing. Tar production from gas works will thus continue to fall, the rate being dependent in part on the rate of increase of gas consumption and in part on the demands of the coke market. In any case over the next four or five years our traditional sources of tar will suffer a substantial drop. At Four Ashes we have a modern refinery, the capacity of which will become progressively in excess of the requirements of our own refining load. We have been trying, so far with success, to keep this capacity occupied by the refining of purchased oils and we shall continue to do this and to seek further supplies of crude tar from Coke Oven Plants. In short we are endeavouring by every means (and you will not expect me to be more specific) to make the most of our present situation and future prospects and we are constantly trying to diversify. Meanwhile the completion of the larger pyridine plant, which as I told you last year was planned to start up in the autumn, was deliberately delayed in order to enable certain additions to be made in the interests of ultimate flexibility. The plant went into production in April, 1965 and its general performance so far and the yields obtained have been most encouraging.

The progress of Schenectady-Midland has been slower than we had hoped, but the prospects remain encouraging.

THE FINANCE BILL

The Finance Bill is still under debate, but it is appropriate to note that, using last year's figures and rates of dividend and assuming only a 35 per cent Corporation Tax, the new tax structure would reduce by some £10,000 the amount available for reserve.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the Meeting the Chairman said:

You will by now have seen from Press announcements and from the current number of the Company's Magazine which you have recently received, that we have launched a new joint company, Pittsburgh-Midland (Adhesives) Ltd., with a Sales Office in Oldbury, Birmingham, to manufacture in the United Kingdom and to sell the range of industrial adhesive products produced in America by the Pittsburgh Plate Glass Company. The new company will have a nominal capital of £250,000 of which £214,000 will be subscribed. The shares will be held in the proportion of fifty-one P.P.G., forty nine MTD. The two companies would also be responsible for the provision of any loan capital necessary in the same proportion.

The new development is the result of a most careful survey of the whole position and study of the markets ranging over many months past, and when we approached Pittsburgh Plate Glass Company, USA, last year on the subject of a potential joint venture we found a ready response. There is no need for me to enlarge here upon the size and the reputation of our new Partners; these are dealt with in detail in the Magazine. For our part we regard the new development as having very great potential significance for this Company's affairs, and we are very glad to be associated with such a company as PPG.

Our Partners will be represented on the Board by Mr Guy J. Berghoff, Vice-President and General Manager, Coatings and Resins Division of PPG, who will be Chairman, together with Mr W. W. Ethier, General Manager, Specialty Products, and Mr Peter F. Miles, Development Director-Europe, PPG International, Geneva. We shall be represented by Dr E. R. Wallsgrove our Managing Director, and myself.

The report and accounts were adopted and the dividend of 12½ per cent on the Ordinary Shares was approved.

The retiring directors, Mr W. Clark, BSc, Assoc.MIGas.E, Mr J. H. Bairstow, and Mr W. A. Robinson were re-elected.

BOOSEY & HAWKES LIMITED

Extracts from Accounts to December 31, 1964

	1964	1963
GROUP NET PROFIT	£414,378	£389,112
TAXATION ...	£213,953	£201,059
DIVIDENDS ...	£92,453	£82,374
RETAINED ...	£107,720	£104,991

Annual General Meeting July 28, 1965

Salient points from Chairman's Statement

Record profits were achieved from Group activities during 1964. A Final Dividend of 12½ per cent—20 per cent for the year—is recommended as against a forecast of 17½ per cent and equivalent on the increased capital to 16½ per cent for the previous year. It is expected that Group results for 1965 should approximate those of the year under review.

Music publishing activities—sales and fees—show satisfactory increases. Long-term benefits should accrue from changes in the copyright laws in West Germany and the USA. The important Educational market continues to expand everywhere.

Instrument sales—in home and export markets—increased considerably. Our London Retail premises have been enlarged and modernised.

Hammond Organ (UK) Ltd first year's trading proved successful. A similar joint venture with the Hammond Organ Company of Chicago is being negotiated with our South African Subsidiary.

Subsidiary Companies overseas have all had a successful year and their prospects for 1965 are encouraging.

The strength of the Group lies in the fact that it is not solely dependent on any particular section of the world of music and has numerous overseas interests and outlets.

Mr. A. G. Norman, the Chairman

De La Rue 1965

Formica leads Earnings recovery

Group outlook– Tempered optimism in present conditions

Earnings Increased

The profits of the main operating companies show very good results in the Formica group and an improved performance by the Thomas De La Rue Group, but a set-back in the Potterton results.

Group profit after taxation amounted to £1,742,000, an increase of approximately £170,000 over last year.

The good performance of the Formica group has resulted in an increase of approximately £200,000 in the profit attributable to outside shareholders which amounted this year to £726,000.

The overall profit margin of the Group on sales was 8.7 per cent (1963/64 . . . 8.5 per cent). The return on average capital employed was 14.9 per cent as against 14.4 per cent last year.

Summary of Group results Year ended 27th March, 1965	1965	1964
Group Turnover	36,422,000	30,455,000
Profit before Taxation	3,153,000	2,598,000
Profit after Taxation	1,742,000	1,572,000
Profit after Taxation Attributable to Ordinary Shareholders	1,005,000	1,038,000
Interim Dividend Paid	170,000	170,000
Final Dividend Proposed	327,000	340,000
Cover for Dividend on Ordinary Shares	2.0	2.0
Export and Overseas Business		
Export Sales	6,668,000	7,331,000
Sales by Overseas Companies	13,627,000	10,074,000

The figures shown are expressed to the nearest thousand pounds

Those who work in De La Rue

The main aim is to create a number of competent and successful teams whose members obtain satisfaction, enjoyment and good rewards from profitable endeavours. During the year great efforts have been made in the fields of training, recruitment and industrial relations. Salaries, wages, pensions and sickness and redundancy schemes have all been thoroughly reviewed.

The Future

World and U K economic conditions seem likely to provide stern obstacles to overcome in 1965. Reserves of leadership, skill and imagination within the Group need to be used to the fullest extent. Shareholders are assured that no effort is being spared to this end so that a satisfactory result can be presented at the end of what is likely to be a difficult year.

The De La Rue Company Limited

Formica Plastics Potterton Boilers
De La Rue Banknote and Security Printing
Security Transport Services
Printing and Counting Machines
De La Rue Bull Data Processing Equipment
Frigistor Thermoelectric Cooling Modules and Instruments
Electronic Quality Control Machinery

FINSIDER

Società Finanziaria Siderurgica per Azioni

The 28th annual general meeting of Finsider was held in Rome on 19th July, 1965. The Chairman, Cav. del. Lavoro Prof. Ernesto Manuelli, presided.

In 1964 the Finsider Group produced 3,167,000 tons of pig-iron, 5,020,000 tons of steel and 3,980,000 tons of hot rolled products. These tonnages show decreases on the 1963 figures of 7%, 7.9% and 7.3% respectively. This was largely due to temporary closures at some of the Company's plants as the result of reconstruction works forming part of the Finsider Plan for Development. Investments reached the record sum of Lit.372,500 million reflecting completion of the most important part of the Plan, in particular the bringing into full operation of the integrated plant at Taranto.

Despite the lower output of steel, deliveries showed a 5% increase over those of 1963, mainly as the result of the re-milling of semi-finished products and of stockpiling needs. Exports, which showed a considerable increase, rose to around 830,000 tons.

Steel sales reached a figure of Lit.485,000 million (an increase of 1.9% over 1963) of which Lit. 92,000 million represented exports which increased by 21%. Total sales of the group were 1.8% higher than 1963 and amounted to Lit.518,000 million.

The financial year showed a net profit of Lit.13,598 million, allowing payment of a dividend of 9% after transfer to the reserves of Lit.900 million.

The balance sheet of Finsider shows an increase in assets of Lit.20,400 million of which Lit.3,300 million represents an increase in investments and Lit.17,100 million represents an increase in debtors; the equivalent rise in liabilities is made up of the said transfer to reserves and an increase in indebtedness to banks and financial institutions.

John Wallace & Sons Limited

The Forty-first Annual General Meeting will be held in Glasgow on 20th August, 1965.

■ **The John Wallace Group, by expansion and reorganisation, now comprises eight divisions in the following fields:**

Engineering · Electrical · Jewellery
Textiles · Timber Products
Chemical · Printing · Agricultural

■ **Pre-Tax profits have almost doubled compared with the previous year. Profits available for distribution equal 9.7d. per share, compared with 5.6d. per share last year.**

■ **The recommended 2½% Final Dividend makes the total 22½%, compared with 16⅔% for 1963-64.**

The Consolidated Accounts for the 52 weeks ended 27th March, 1965, showed:

	1965	1964	1963	1962	1961
	£	£	£	£	£
Group Profit before Taxation	**1,178,406**	632,941	436,400	408,952	295,033
Taxation	**600,695**	310,120	240,311	192,761	127,605
Group Profit after Taxation	**577,711**	322,821	196,089	216,191	167,428
Ordinary Dividend	**314,824 (22½%)**	168,178 (16⅔%)*	137,522 (16⅔%)*	96,990 (16⅔%)*	66,188 (13⅓%)*
Shareholders' Funds	**5,038,111**	2,996,596	2,435,966	2,076,778	1,368,419

* Adjusted to take account of 1 : 2 bonus issue in October, 1964.

Copies of the full Report and Accounts may be obtained from The Secretary, John Wallace & Sons Limited, 145 St. Vincent Street, Glasgow, C.2.

ELECTRONIC RENTALS & GENERAL HOLDINGS LTD.

The following is an extract from the review of the Chairman, **Mr C. G. Mack, MBE, JP,** circulated with the accounts for the year ended March 31, 1965:

Once again every activity of the Group has contributed to the increase in profits. During the year your Company made an important acquisition, Relay Vision Limited, which made a substantial contribution to Group profits.

Group trading profit amounted to £1,714,524 before depreciation of £1,285,856, a most satisfactory increase over that of the previous year. Of the trading profit before taxation of £423,563, over 90 per cent is attributable to the activities of the Companies operating in the television and electrical appliance field, the balance being derived from Camping activities. The profit after taxation is £360,533 (last year £245,573). Your Directors recommend a final dividend of 12½ per cent making a total of 20 per cent for the year, costing £110,488 after tax, as compared with last year's 15 per cent.

The possibility of giving investors in Ireland the opportunity of acquiring a direct interest in Radio T.V. Rentals and Romax T.V. Rentals has been examined by your Directors and, when the time is deemed opportune, there would seem to be excellent arguments for so doing.

Television and domestic Electrical interests will have to contend with the heavier H.P. deposits and advance rentals, whilst our Camping Company has a 10 per cent Import Levy to pay on many of its products. Until the Finance Act is available it is difficult to forecast the ultimate effect of the new legislation but it is already clear that we will have to find an additional £77,577 in order to pay an equivalent dividend next year.

Your Group, being largely dependent on its rental activities, can look forward to continuing profits. Provided trading is not affected by factors outside our control, I have every confidence that I shall be able to report further progress next year.

SOCIÉTÉ "LE NICKEL"

The Annual General Meeting of Société "Le Nickel" was held on July 6, 1965, **M. Guillard,** Chairman and Managing Director, presiding. The proposals put forward by the Board of Directors were adopted, and the dividend was fixed at Frs. 3.07 net, coupled with a tax refund of Frs. 0.98, payable against Coupon No. 13 as from July 16th.

Gross capital expenditure totalled Frs. 441m. on December 31, 1964, and, after depreciation of Frs. 239m., or 54 per cent, appears in the balance sheet at Frs. 202m. Trade investments amount to Frs. 17m. Realisable and liquid assets total Frs. 159m. including Frs. 89m. of current assets as against Frs. 86m. of current liabilities. Reserves and provisions total Frs. 225m. for a capital of Frs. 145,243,750.

Turnover in 1964 reached Frs. 267,086,000 and yielded a net profit of Frs. 9,193,804.

In its report, the Board states that the tonnage of ore extracted in the Company's concession areas totalled 1,770,000 tons as against 1,500,000 tons in 1963 and 1,116,000 tons in 1962. A new investment plan was drawn up in 1964 with a view to increasing the production capacity of the Company's mines and plants.

The report also points out the evident increase in nickel consumption in the free world, rising as it did from 238,000 tons in 1963 to 290,000 tons in 1964, and states that this increase was due to a widening of the range of applications rather than to economic expansion. Total deliveries in 1964 were up by 26 per cent on 1963, and the Company covered 65 per cent of French requirements by supplying 13,000 tons to the home market.

Moreover, 23 different countries bought 18,500 tons in 1964 as against 14,826 tons in 1963.

In his address, the Chairman recalled that if production and delivery figures in 1964 were the best ever in the Company's history, trading results fell short of expectations; in fact, it had been necessary to buy on the metal market, without any profit, in order to satisfy customers, and on the other hand costs had been affected by the abnormally low water level in New Caledonia which led to higher electricity prices, and by the commissioning of new production equipment. The growth of deliveries explains the Board's decision to raise the Company's production capacity to 38,000 tons by building a 32,000 kW thermal power station and a sixth electric furnace, and by opening a new mining centre at Poro.

CUSSONS GROUP LIMITED

The twenty-seventh Annual General Meeting of Cussons Group Ltd. was held on July 27th at the Registered Office, Kersal Vale, Manchester 7, **Mr A. S. Cussons** (the Chairman), presiding. The following is an extract from his circulated statement for the year ended March 31, 1965:

Accounts

The Group trading profit before taxation is £854,929 compared with £850,236 for the previous year. After making provision for taxation and deducting the interest of outside shareholders there is a Group net profit of £435,344 compared with £410,399.

Your directors recommend a final dividend of 5.1 pence per share making 6.6 pence less tax for the year on increased capital compared with the equivalent of 6.3 pence for the year ended March 31, 1964. We also recommend the transfer of £150,000 to General Reserve and £100,000 to Development Reserve, the balance of £89,140 being carried forward to next year. During the year there has been an almost continuous rise in the cost of the raw materials and packing materials which we use, and this has affected the results. In these circumstances we regard the results as satisfactory.

Operating Companies

Despite the introduction by competitors of several new major brands of toilet soap, sales of Imperial Leather soap have shown an increase and 1001 carpet cleaner again achieved record sales during the year. Gerard Brothers Ltd. achieved a record turnover during the year but profits were adversely affected by the steep and continuous rise in the prices of oils and fats. The profits of Cussons (International) Ltd. showed an increase over the previous year.

Contract packaging sales of Sinclair, Owen have developed at a satisfactory rate and the company has added acetate boxes and the production of cartons to its facilities. The new factory for Richmond Aerosols Ltd. has been completed and production capacity greatly increased. Facilities are now available for the production of pharmaceutical aerosols.

Britanol Ltd., a company formed jointly with Sandoz Products Ltd. is now proceeding with the national promotion of its Simbix slimming aid biscuits and the development of other dietary and medicinal products and we have good hopes of this venture.

The economic outlook at the moment is so obscure that it would be unwise to make a forecast of profits for the current year. We have every hope, however, that the Group will continue to progress.

Many of our staff have been under extra pressure this year and on your behalf I should like to express keen appreciation of their efforts.

HOUSE OF FRASER LIMITED

PRE-TAX PROFITS EXCEED £6M.

PROBABLE EFFECT OF FINANCE BILL OUTLINED

THE LORD FRASER OF ALLANDER ON A WELL-EQUIPPED ORGANISATION

The twenty-fourth annual general meeting of House of Fraser Limited was held on July 28th in Glasgow, **The Lord Fraser of Allander, DL, LLD** (chairman and managing director), presiding.

The following is his circulated statement:

The Statement of Accounts for the year to January 31, 1965, now submitted shows for the second year in succession a record figure of Trading Profits, while for the first time in the Company's history, Group Profits before Taxation exceed £6 million. When it is realised that these figures have been achieved in the face of a continual increase in costs which for Wages and Rates alone amounted to £750,000, excluding charges for these items in the accounts of Companies acquired during the year, I feel that the results are extremely gratifying.

The provisions required for Taxation amount to £3,190,913 (£2,889,021), an increase of £301,892, of which no less than £140,000 is due to the increase of 6d. in the standard rate of Income Tax, the balance resulting from increased taxable profits.

After deducting the Dividends due to Outside Preference Shareholders in Subsidiary Companies, the Net Profit available for distribution to Members amounts to £2,624,042 (£2,685,798). The Dividends paid and recommended are at the same rate as last year, and the resulting surplus amounts to £749,552, out of which £350,000 has been transferred to Reserves. Members may recall that the previous year's surplus of £1,429,601, included a non-recurring credit of £680,359.

The balance of unappropriated Revenue to be added to the credit balance of £2,895,993 brought forward from last year is £399,552 (£476,601), while the Capital and Reserves of the Group, as shown in the Consolidated Balance Sheet, have increased by £1,443,429 (£1,922,229) to £36,563,147.

Our Stores in Scotland and the North of England have accounted for the greater portion of the increase in Trading Profits, the percentage increase in these areas amounting to 7½ per cent as against the 2½ per cent attained by our other Stores in England. I would emphasise, however, that the scope for improvement was, and still is, greater in the North, where the general economic conditions during the preceding two or three years were unfavourable

DECADE OF STEADY PROGRESS

I think that Members will be interested in the chart which accompanies the Statement and records our steady progress during the last ten years.

There have been no major developments to report on since I last addressed you. The recent acquisitions in Scotland are being satisfactorily integrated into the Group, while in England work on the second phase of the extension to Rackhams of Birmingham commenced at the end of last year and is expected to be completed in the early part of 1966. In addition, the improvement of the lay-out and efficiency of all Stores is being energetically followed up, and the Board have continually before them the desirability of further expansion when suitable opportunities occur.

CURRENT TRADING

In the current year, turnover has been fully maintained, but the present economic uncertainties are undoubtedly having an adverse effect on trade, and I find it impossible under existing conditions to make any forecast of the results for the current year. In my first Chairman's Statement to Members in June, 1948, when we were still struggling to emerge from the difficulties and frustrations of the War, I used the following words: "In my many years' experience of the drapery trade, I have never known a time when it was more difficult to assess future business prospects." It is ironical to reflect that we are today back to a situation in which they apply with equal force

THE FINANCE BILL

This brings me to the Finance Bill. It seems incredible to me that anyone could regard the unintelligible hotch-potch of verbiage which forms this Bill as in any way likely to effect a simplification of our Tax System or to ease the burden of those who have to interpret and administer it. However, Members will be anxious to have some indication of the probable effect the proposed changes will have on the Company. Company profits will no longer be assessed to Income Tax and Profits Tax, but will be subject to a Corporation Tax and a withholding tax on dividends paid. It is, of course, impossible to be at all precise, but applying the proposed basis of taxation to the figures for the year just ended and assuming a Corporation Tax of 40 per cent, it is estimated that the balance of the year's profits retained by the Company, after paying the same dividend, would be some £500,000 less than this year's figure of approximately £750,000. This would leave a margin of retention which, for a company such as ours, would seem inordinately small.

It is with special pleasure that I once again pay tribute to my colleagues on the Board, executives and staff for all the help they have rendered. I am particularly pleased to announce the appointment of my son as deputy Chairman. His assistance over the past few years has been invaluable to me.

In conclusion, I must emphasise that we, as a Company, have never been better equipped to face the future. We have rebuilt, extended and improved our Stores, and this process is continuing. Our liquid position is strong. I look forward hopefully to an improvement in due course in the economic circumstances of the country, and meantime regard the present difficulties as a challenge to be faced and surmounted as other difficulties have been overcome in the past.

The report and accounts were adopted.

BY APPOINTMENT TO HER MAJESTY THE QUEEN BREWERS

BRICKWOODS LIMITED

The seventy-fourth annual general meeting of Brickwoods Limited will be held on August 13th at Portsmouth.

The following are extracts from the directors' general report:

In the year under review, gross and net profits, before tax, of all departments of the group were satisfactory.

The profit of the group before taxation amounted to £1,217,234, an increase of £64,567. Taxation takes £654,137 (1964—£564,776), leaving £563,097 (1964—£587,891).

A one-for-one bonus of Ordinary Stock was made during the year and the £1 Ordinary Stock was split into units of 5s. each. The Directors recommend a total dividend of 11 per cent on the doubled capital (1964—22 per cent).

Six new and/or rebuilt licensed properties have been opened during the year and some thirteen others will be commenced or completed in the current year.

In the year under review, no less than 22 licensed houses have been the subject of Compulsory Purchase Orders and many more are to come within the next ten years. If we are to keep our representation in the existing areas of redevelopment and also take care of the expansion of our business elsewhere it is obvious that our building programme of new outlets will have to be accelerated in the years to come.

In future, beginning in December, 1965, we shall publish at the end of December in each year, interim progress reports covering the first half of the year.

Trade in the present year has been satisfactory, except in the field of Wines and Spirits, where towards the end of the last financial year we felt the effect of price cutting in some areas only.

Motta S.p.A.

per l'Industria Dolciaria ed Alimentare

Capital Lit.10,500m.

The Annual General Meeting of Motta S.p.A. was held on June 5, 1965, in Milan, **Cav. del Lavoro Dr Alberto Ferrante** presiding. The Board's comprehensive report provides detailed data on the confectionery industry in Italy and Europe as well as a review of the Italian economic situation.

The balance sheet for 1964 closed with a profit of Lit. 918m., after setting aside Lit. 2,280m. for depreciation. Sales amounted to Lit. 42,755m. and showed an increase of 4.6 per cent over the previous year. The average number of employees was 5,918, with a peak figure of 6,585.

In spite of the delicate economic situation in Italy, MOTTA continued to carry out the projects undertaken, designed as they were to stress to an increasing extent the Company's European stature. Achievements in 1964 include:

erection of a large plant at Verona for the manufacture of crackers and bakery products, and for egg processing;

opening of four large shops in Rome, and of a fourth Autogrill on the Autostrada del Sole, near Arezzo;

opening of the first Milan supermarket in co-operation with the Jewel Tea Co., to be followed by another four in the largest Italian towns;

beginning work on the Trento plant for "snack foods" of Beatrice & Motta, an associated company;

erection of a new plant at Latina of another associated company, Conserve Alimentari Latina S.p.A.;

putting into service the Wiesbaden plant for ice cream and candied fruit.

The balance sheet was adopted and it was resolved to distribute a dividend of Lit. 240 per share. The increase in capital to Lit. 15,750m., approved at the 1964 Annual General Meeting, will be carried out during the current year if the Board feel the moment is opportune on the capital market.

Subscriptions to The Economist

Annual Postal Subscription by ordinary mail, UK £6; overseas £6 10s. By air see below

	Airmail	Air Freight
Australia	£13 10s.	—
Canada.—		
Quebec & Ont. Provs.	£12 10s. or Can. $38	£9 15s. or Can $30
Other Provs.	£12 10s. or Can. $38	£10 10s. or Can. $31·80
Ceylon	£12 10s.	£10 0s.
China	£13 10s.	—
East Africa	£12 10s.	£10 0s
Egypt	£11 0s.	—
Europe	£10 0s.	—
Ghana	£12 10s.	£9 10s.
Gibraltar, Malta	£7 5s.	—
Hongkong	—	£12 10s.
India	£12 10s	£10 0s
Indonesia	£12 10s	—

	Airmail	Air Freight
Iran & Iraq	£11 0s.	£9 10s.
Israel	£11 0s.	£9 10s
Japan	£13 10s.	—
Jordan	£11 0s.	—
Lebanon	£11 0s.	£9 0s
Malaya	£12 10s.	—
N. Zealand	£13 10s.	—
Nigeria	£12 10s.	£9 10s
Pakistan	£12 10s.	—
Philippines	£13 10s.	—
Rhodesia	£12 10s.	—
S. Africa	£12 10s.	£10 0s
Sth. & Cen. America	£12 10s.	—
Sudan	£11 0s.	£9 10s.
USA	£12 10s. or $35	£10 10s. or $29 50
W Indies	£12 10s.	—

Subscriptions to many countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

The Sanitas Trust

EXTRACTS FROM THE STATEMENT BY THE CHAIRMAN MR. ROBERT CAPLIN AT THE 39th ANNUAL GENERAL MEETING ON 22nd JULY 1965

The past year was a good one for the Sanitas group of companies. Total sales reached a new peak of over £6,500,000; and total profit before tax passed the £1,000,000 mark for the first time.

Overseas sales increased last year from £1,707,530 to £2,089,175, of which only a part qualified for the recently introduced export rebate. This year's profit on the group's home-produced export sales will be augmented by a full year's export rebate contribution.

Trading results for the first quarter of this year continue to be encouraging, and I believe that last year's 20% growth in the group's profit before tax is likely to be repeated this year. Even with the incidence of corporation tax, it should be possible at least to maintain the current rate of dividend, with good cover.

MAYBROOK PROPERTIES LIMITED

199 PICCADILLY, W.1.

Salient points from Chairman's Statement

Profits and Dividend: Gross Revenue increased from £89,723 to £120,330. Net profits after taxation £29,893. Dividend 7½ per cent as compared with 6½ per cent.

Developments & Projects: Liverpool; High Street, Maidstone and London Road, Maidstone; Avonmouth; Carshalton; Coventry; Hythe; Winterbourne and at Finglas, near Dublin.

Prospects: Good as expansion gains momentum.

Finance: Over £1,000,000 out of £2,000,000 at Company's disposal from Legal & General Assurance Society Ltd., still available.

CAPITAL FINANCE CO. LTD.

CONTINUING SUCCESS OF THE "CAPITAL PLAN"

The Annual General Meeting of Capital Finance Company Limited was held on July 22, 1965, in Edinburgh. The following are extracts from the Statement by the Chairman, Mr J. C. H. Dunlop, for the year ended January 31, 1965.

We decided in April, 1964, to take advantage of our past experience of the excellent business resulting from sales of Rolls Razor washing machines and arrangements were made for us to receive a share in that business once more. Up to the time that company ceased trading we had purchased from it washing machine agreements, with balances outstanding of £459,063, for a total consideration of £234,717.

Inevitably, after a failure such as that company suffered, it was some time before we could get into direct contact with the Rolls Razor debtors and also arrange for the servicing of their machines. Receipts, therefore, were slow initially, but are now flowing in at quite a satisfactory rate. We made a specific provision out of profits to cover any deficiency on these agreements.

In the case of our advances to Finance Service & Insurance Ltd. of £250,000 for the financing of Rolls photographic equipment over short-term agreements, a total of £134,208 has already been repaid to us and the balance of £115,792 is covered by debtors of £189,688, and the hirers who are parties to these agreements continue to prove satisfactory payers. Full interest on our advance has been received and it is anticipated that in the current year a satisfactory return will be earned on our equity in this company of £27,500.

Our commitment in English & Overseas Investments Ltd. consisted of £285,000 6 per cent Convertible Loan Notes. After the end of the accounting year your company effected purchases which, along with the holding of Loan Notes acquired during the year, became the subject of a composite transaction which has resulted in a contract for the sale of these investments without loss.

MOTOR INTERESTS REORGANISED

Our major disappointment this year has originated from motor trading activities. Actual profit ran out at less than half the expected figure of £200,000. Last year it looked as if the motor group could be put into a shape for public flotation, but it became clear that the results would not justify this and that in any case market conditions were unpropitious. Since then, we received an offer for the largest single unit, J. A. Gregory (Car Sales) Ltd., and disposed of this on deferred terms at a capital profit of some £37,000. We are now concentrating attention on reorganising and streamlining the others.

THE CAPITAL PLAN

Our Capital Plan, which enables a hirer who pays income tax to effect a considerable saving in hire purchase charges and which was pioneered and introduced by us some five years ago, has now bred a multitude of competitive schemes which other companies are free to operate under the new legislation. We are not afraid of this competition and, indeed, we are currently writing twice as much business under this plan as we did a year ago, and excellent business it has turned out to be.

FUTURE PROSPECTS

The crisis atmosphere under which sterling has been operating since the autumn and the resulting credit squeeze have combined to make borrowing both difficult and expensive. This has affected the year's results and is also affecting the current year's trading. However, during the past six months, we have written a good volume of business at rates which are currently remunerative and will prove to be still more so if and when interest rates fall. Our industry is passing through a difficult year which will not be made more comfortable by the revolution in taxation, but my confidence in the more distant future is undiminished.

RIUNIONE ADRIATICA DI SICURTÀ (R.A.S.)

Milan, Italy

FURTHER PROGRESS IN 1964

The Annual General Meeting of Riunione Adriatica di Sicurtà (Adriatic Insurance Company) was held recently and the balance sheet for the Company's 126th business year was adopted. The year's results are summarised below and compared with the figures of the previous year. They also include figures relating to the business of the Group as a whole, and items from the balance sheets of the eight Italian insurance companies (including in particular L'Assicuratrice Italiana) and the 26 foreign companies (including Internationale Unfall, Austria; Münchener Leben, Germany Protectrice, France; British Reserve, UK Jefferson, USA; Canadian Home, Canada Dominion, South Africa; Consolidated, Australia; Cuauhtemoc, Mexico; Adriatica Venezolana, Venezuela; El Sol, Peru; and, among the latest additions, Bras-lusitana, Brazil; Aurora, Colombia; and Continentale, Switzerland) through whom the R.A.S. Group's work and organisation extend over five continents. In Italy premium receipts of the joint organisation Riunione Adriatica/L'Assicuratrice Italiana rose by 21.71 per cent over 1963 in the Indemnity and Liability branches, by 10.88 per cent in the Life branch, and overall by 18.99 per cent.

SUMMARISED R.A.S. LIRE BALANCE SHEET FOR 1964 (COMPARED WITH 1963)

1963	For all Branches	1964
45,467,774,143	Premiums Written	50,122,106,495
4,595,990,230	Return on Investments.	4,823,256,968
32,303,049,760	Claims Paid and Sums set aside for Policyholders	34,891,452,784
96,600,266,273	Actuarial and Capital Reserves	106,340,063,372
	Life Branch	
86,631,966,850	New Sums Assured	95,194,230,310
358,078,079,707	Capital Assured	392,626,064,466
64,630,262,597	Actuarial Reserves.....	72,488,777,974
4,320,000,000	Capital.....	4,320,000,000
665,978,845	Profit for the Year.....	673,026,774

PREMIUM INCOME OF R.A.S. AND THE 34 COMPANIES OF THE GROUP INSIDE AND OUTSIDE ITALY IN 1963 AND 1964

1963		1964
45,467,774,143	Riunione Adriatica di Sicurtà.....	50,122,106,495
45,283,488,301	Italian R.A.S. Companies (8)	55,474,693,374
49,610,237,956	Foreign R.A.S. Companies (26)	55,736,745,463
140,361,500,400	TOTAL	161,383,545,332
470,555,000,000	Capital Assured in Life Branch.....	512,151,000,000

On the basis of the profit for the year of Lit.673,026,774, together with the balance brought forward from the previous year, it was resolved to distribute a dividend of Lit. 340 per share, as in the year before, payable as from July 6th.

The Meeting then proceeded to elect the Board of Directors, whose three-year term of office had expired, and was told of the decision of Mr Enrico Marchesano to retire from the offices of Chairman and Managing Director, a decision to which the Board had had to bow with deep regret. After informing the Meeting accordingly the Vice-Chairman, Mr Carlo Pesenti, proposed that shareholders associate themselves with the Board's unanimous decision to confer on Mr Marchesano the title of Honorary President, in recognition of the services he had rendered.

At a Board meeting after the Annual General Meeting, Mr Massimo Spada was elected Chairman as well as Managing Director, and Mr Carlo Pesenti and Mr Alberto Ravano were elected Vice-Chairmen.

STEVINSON, HARDY & CO. LTD.

(Oil Importers and Distributors, Tanker Agents and Charterers)

CONTINUED PROGRESS

The twenty-eighth ordinary general meeting of the Members of Stevinson, Hardy & Co. Ltd. will be held at Stevinson House, 155 Fenchurch Street, London, EC3 on Thursday, August 19, 1965, at twelve noon.

The following is an extract from the circulated statement of the chairman and managing director, **Mr H. L. Stevinson:**

The trading surplus for the twelve months ended March 31, 1965 amounts to £870,452 as compared with £740,161 last year. In February we paid an Interim Dividend of 6 per cent and we are now proposing a Final Dividend of 16½ per cent. This will absorb £200,531 and the addition to carry forward will be £195,087.

In the year under review the profits are liable to Income Tax and Profits Tax amounting to an estimated total of £473,616. Next year, as far as we understand the position, we shall be liable to pay 35 per cent to 40 per cent Corporation Tax and Income Tax on our dividend distributions. For your guidance, if this method of taxation had been in force this year at a Corporation Tax rate of 40 per cent and Income Tax as at today's figure, we calculate that our surplus after dividends and taxation for the year would have been approximately £37,000 higher at £232,087.

TRADING ACTIVITIES

Dealing with the Company's activities, distribution of fuel oil and heating oil continued to expand. Some of you may be aware that further foreign companies have entered the UK market for petroleum products, thus increasing the competition.

We have been enjoying, and shall enjoy until the year ending April, 1966 and for some months thereafter, a supply contract that has provided a cushion against the competition and the fall in prices. We are satisfied, however, that we shall in the near future be able to make a new supply contract which will enable us to give the same service to our customers, without necessarily the same profitability to our shareholders.

Petrolene Oils Limited, the subsidiary largely concerned with the sales of petrol, kerosene and diesel fuel, have expanded their turnover and profits considerably. They are allied in management with Upminster Garages Limited who have also been successful in increasing their profits. The more onerous hire purchase terms have not apparently affected their car selling activities. The new Paint Shop which I mentioned last year has been fully employed.

Getting back to the parent company's business, you will not be surprised to learn that income from chartering brokerages did not increase although the turnover has gone up, and as we are almost entirely interested in tanker chartering it needs a large increase in turnover on a very depressed market to produce a bigger income. However, their net contribution combined with the overseas trading and bunkering departments has increased.

The chairman then reviewed in detail the other activities of the Group and concluded:

In our Half-Year Report we advised you that we were having our freehold assets valued as at March 31st. This produced a figure more or less as we expected and comfortably in excess of the Balance Sheet figure, but as the great bulk of it is occupied by your Company or its Subsidiaries we do not propose to introduce into the Balance Sheet any such excess. The object of the valuation was to determine, if possible, the basic value for Capital Gains Tax purposes. We anticipate a capital expenditure during the current year of £160,000.

DENNY, MOTT & DICKSON, LIMITED

AND ITS SUBSIDIARIES

(International Timber Traders, Sawmillers, Manufacturers and General Merchants)

SUMMARY OF THE STATEMENT BY THE CHAIRMAN, Mr. A. COLIN C. DARBY FOR THE YEAR ENDED 31st MARCH, 1965.

We have been able to achieve a substantial increase in Group trading profit as a result of an increasing demand for timber and allied products, greater efficiency resulting from modernisation of premises and plant, and the maintenance of the marked improvement in the results of our trading in the Far East.

We have approved a substantial programme of capital expenditure for the current year on improvements to existing yards and wharves, and the acquisition of modern mechanical handling equipment.

It has been decided to market decorative wood veneers, and although this will open up a new and promising field for your Group, it is a natural extension of some of our more recent ventures.

The largest field of usage for timber and its allied products is in housing. Twice the number of timber framed houses have been scheduled for 1965 compared with those built during the last year. It is hoped that local authorities and large scale estate developers will give the utmost attention to this form of construction with all its advantages, as it can play a vital role in helping to overcome the housing problem. Our trading policy has been aligned to these developments. The results have been encouraging, and we shall continue to take every advantage of this new market.

The national problem of congestion in our docks and the need for quicker turn-round of vessels is of vital importance to the timber trade. Your company has been, and will continue to be, active in dealing with this problem. We shall continue with research and development to ensure that the Group is able to play its part as one of the foremost importers in the United Kingdom, and thus secure an advantageous position in this highly competitive market.

SUMMARY OF GROUP RESULTS

	1965	1964
Profit before Tax	£730,861	£420,608
Taxation	366,693	224,614
Profit after Tax	364,168	195,994
Ordinary Dividend (net) 16%	125,333	(11¼% equiv.) 91,875
Issued Capital	*1,873,333	1,540,000
Reserves & Profit Unappropriated	2,545,893	2,242,716

** After 1 for 3 Bonus Issue*

Copies of the Report are obtainable from: The Secretary, Denny, Mott & Dickson, Limited, Adelaide House, King William Street, London, E.C.4.

SIAMESE TIN SYNDICATE

The fifty-eighth Annual General Meeting of the Siamese Tin Syndicate Limited was held on July 22nd in London, **Mr W. R. B. Foster** (Chairman) presiding.

The following is an extract from his circulated Review for 1964:

Production from the Group's Eastern Mines in 1964 was less than in 1963. The figures respectively were 2,048 and 2,648 tons of tin concentrates, a decline of 600 tons or 23 per cent. The average Straits Tin market price was much higher than in 1963.

The ground treated by our dredges was a little over 11 million cubic yards, against 12½ million in the previous year and the average value was .39 lbs. per cubic yard compared with .46 lbs. in 1963.

Despite a substantial decrease in production, and additions to mining costs, we are able to show a better profit from the Group's activities in Thailand and Malaysia compared with 1963, and while the main cause was the improved tin price, we recognise and appreciate our Eastern staff's vigilance in the matter of rising costs. Profits from South Crofty were again satisfactory. The total net profit for the parent company and subsidiaries was £555,206, which compares with £473,209 for 1963 and in all the circumstances this was a satisfactory result.

Interim dividends totalling 1s. 3d. per stock unit have been paid in respect of 1964 and a final dividend of 1s. 4½d. per stock unit is recommended, payable on the increased capital. If approved this would be the equivalent of 2s. 0¼d. per stock unit on the previous capital.

The report and accounts were adopted and the alterations to the Articles of Association were approved.

RUSTON AND HORNSBY LIMITED

The seventy-sixth Annual Ordinary General Meeting of Ruston and Hornsby Limited will be held on August 19th at Lincoln.

The following are extracts from the circulated Comments by the Chairman, **Mr J. F. Mallabar,** for the fifty-three weeks to April 3, 1965. The Profit before tax amounted to £1,242,550 as compared with £565,808 last year. While the improvement is significant and encouraging, it still does not represent an adequate return on the capital we are employing. Each of the principal subsidiaries showed a trading profit during the year, and each of them showed an improvement on the preceeding year.

Against a total of £10.8 million at this time last year our outstanding orders now amount to £15.7 million. Moreover, the "mix" of orders is satisfactory and is well spread geographically. A large proportion of the orders received is for export. Direct exports account for more than 50 per cent of our output (in some classes of production a full 100 per cent is for direct export) and at the same time many other engines which we sell are for indirect export. We are continually engaged in developing our sales overseas, that we are bringing to bear the most efficient sales effort of which we are capable.

In view of the improvement in results we feel able to recommend a dividend of 10 per cent as compared with 7 per cent paid last year. The immediate outlook is encouraging and unless our plans should be frustrated by national and international problems outside our own control, we hope and anticipate that next year we shall be able to place before you results which will represent a useful advance over those for the year now ended.

EDGER INVESTMENTS LIMITED

Extracts from the circulated statement of the Chairman, Mr Gerald A. Glover:

Rents increased from £421,853 to £455,185 and the profit before tax rose from £196,338 to £211,291. The provision for taxation, however, also shows an increase mainly due to the fact that this year there is no reduction in the charge in respect of investment or initial allowances. These allowances arise on new developments and although there are several developments on hand, none have yet reached the point at which such allowances are granted. The profit after tax therefore stands at £102,136 compared to £119,755 in 1964.

Next year I hope for a modest increase in profit, though it is not until 1966/67 that I can anticipate greater increases in our income.

The Chairman then referred optimistically to completed developments and developments in the course of construction, and went on to say:

The Government's direction that no office building shall be developed within forty miles of London without a certificate from the Board of Trade will tend to slow down development in that area, but fortunately this does not materially affect your Company, and indeed only one such development is held up for this reason. Our developments which include offices are outside the London area.

The report was adopted.

CHARRINGTON, GARDNER, LOCKET & CO.

POLICY OF DIVERSIFICATION

The sixty second Annual General Meeting of Charrington, Gardner, Locket and Co. Limited, was held on July 22nd in London. **Mr K. M. Stobart** (the chairman) presiding.

The following is an extract from his circulated statement:

Although a considerable loss was made by a subsidiary, the trading profit for the year was £1,071,677, which is only slightly lower than last year. Had it not been for this loss, the trading profit would have been a new record.

Your Directors recommend a final dividend of 6 per cent, which makes a total distribution of 10 per cent (same).

A Corporation Tax of 40 per cent would have affected the level of retained profits only slightly.

Although we are continuing our efforts to increase our interest in other fields, the distribution of solid and liquid fuel continues to be, both in terms of turnover and profit, by far the most important activity of the Company and contributes around 80 per cent of Group trading profit.

On the industrial side our sale of fuel oil continues to expand at a very satisfactory rate, and we sold over 1 million tons in the year for the first time. Competition between oil companies continues to be fierce. However, with the continued support of the Mobil Oil Company, backed up by an efficient sales and distribution service, I see no reason why we should not hold and, I hope, increase our share of this expanding market.

The domestic heating market is similarly an expanding one, for which coal, gas, electricity and oil are competing vigorously. In London and the Eastern Counties we hold a substantial share of the domestic solid fuel trade and, despite the inroads of gas, our sales have been maintained at a high level.

Having commented on the progress of the company's Transport interests, the Chairman referred to the loss made by J. T. Meredith & Company Ltd. in the Engineering division, and said: Further losses will be incurred on certain contracts to which the company is committed, but changes in management and other steps that have been taken should keep these losses to a minimum.

During the year we have acquired Anglo-Canadian (Industrial Pipework) Co. Ltd. of Bromsgrove, Worcestershire. The company is young, but has expanded rapidly in a market where there appears to be ample scope.

Builders' Merchanting: Groves and Company Limited have produced record profits, and Hodgson & Co. (Clacton-on-Sea) Ltd. has also done well.

The report was adopted.

SOCIETE D'ELECTRO-CHIMIE D'ELECTRO-METALLURGIE ET DES ACIERIES ELECTRIQUES D'UGINE

Paris

The Annual General Meeting was held on June 24th, **M. H. JOLIVET** presiding. The accounts for 1964, which closed with a net profit of Frs. 30,011,129 as against Frs. 25,680,535 for the previous year, were adopted.

It was resolved to distribute a net dividend of Frs. 5.30 per share, applicable to a capital of Frs. 319,725,000 that includes the 203,000 new shares, and payable as from July 5th against coupon No. 20.

The nomination of M. Robert O'Neill as a director was confirmed, and M. Joseph Roos, whose term of office had ended, was re elected to the Board.

In its report, the Board points out that the past year was marked by a sizeable increase in turnover, reflected to more or less the same extent in all sectors. The figure represents an increase of 9 per cent over the average of the previous year, with an export ratio approaching 30 per cent. The Chairman also emphasised that UGINE aimed at reaching competitive levels of production and raising the efficiency of its plants.

Throughout the year under review sales remained at a high level and turnover rose by nearly 15 per cent as a result. Invoicing totals represented a value of Frs. 1,311m. as against Frs. 1,142m., and a net amount of Frs. 1,153m. as against Frs. 1,007m. in 1963.

Exports, which had amounted to Frs. 220m. in 1962 and Frs. 270m. in 1963, rose to Frs. 329m., an advance of 22 per cent, and today represent 28.5 per cent of the net turnover.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to: Financial Publicity Department,

THE ECONOMIST,
25 St. James's Street,
London, SW1.

APPOINTMENTS for further announcements see pages 486 and 487

MSL

A candidate's identity will not be disclosed unless he gives permission after a confidential discussion.

Head of Forecasting Unit

Industrial market research

A new appointment in an existing Market Research team to initiate studies into all factors that can affect the long-term marketing of the company's products; and to produce and interpret the results as an effective aid to decisions on future policy. He will work with a small unit and be concerned with research into the availability of raw materials and other factors affecting the future growth and development of the electrical industry.

The company is a leader in its field, and has an annual turnover in excess of £200 million.

Candidates aged 28 to 35 should be arts or science graduates (economics or mathematics would be an asset), should have had about five years' experience of long-term forecasting within industry, ideally in a company in the electrical field. They may now be conducting similar research at a university.

Salary around £2,400 depending on experience; contributory pension scheme. Location London. Please write to R. A. Sackett quoting S.7923, and stating how each requirement is met.

MANAGEMENT SELECTION LIMITED,
17 STRATTON STREET, LONDON, W.1.

KLEINWORT, BENSON LIMITED

require an

INVESTMENT ANALYST

with several years' experience for their Research Department. Possession of qualifications in Economics or Accountancy desirable and knowledge of a European language, particularly French, would be an advantage. Applications giving details of age, education, qualifications and experience, should be addressed to Box TL/513, c/o Hanway House, Clark's Place, London, E.C.2.

City of Leicester

Regional College of Technology

Required [illegible] ble in the S[illegible] of Business and [illegible] studies:

1. SENIOR LECTURER IN ECONOMICS with special reference to International Trade and Institutions.
2. LECTURER IN SOCIOLOGY.
3. LECTURER IN INDUSTRIAL PSYCHOLOGY with special reference to industrial training.
4. Lecturer in Operational Research and Statistics.
5. ASSISTANT LECTURER in Law and General Business Studies.

Should have graduate or professional qualifications and appropriate experience. Previous applicants considered without re-application.

Salaries (under review):
Senior Lecturer, £1,895–£2,115 p.a.
Lecturer, £1,650–£1,895 p.a.
Assistant Lecturer, £850–£1,250 p.a. [illegible] degree and training allowance and in[illegible] for approved experience.

Apply Registrar for particulars and application form.

Esso

INVESTMENT ANALYST

An economics graduate or a young qualified accountant aged 24-30 is required to work in comparative analysis of industries and companies to assist in determining investment policy and implementation. Prior experience is not essential; an enquiring and analytical mind and a good personality, backed by a good qualification, are the main requirements. If high ability is shown, there will be good opportunities for advancement.

These appointments are in the Company's Head Office at Victoria, London. The Company operates a comprehensive range of employee benefits, and offers opportunities for promotion under a well-defined management development plan.

Write, giving brief details to:
Head of Recruitment (Ref. 2418), Esso Petroleum Company, Limited
76 Victoria Street · London SW1

BANK OFFICERS

GET OUT OF THE RUT!

Career appointments overseas are available to bankers of 20 to 35 years of age. Applicants up to age 25 should be single men and have completed at least Part 1 of the Institute of Bankers' Examination. Marriage is not a bar to older men, but they should have completed (or be in process of completing) Part 2 of the Institute Examination. These are career appointments with excellent prospects. The younger age group commences service in West Africa with emoluments normally in the region of £1,300 p.a. Salaries of older men are higher and will be considered at interview.

- ★ [illegible] furnished quarters overseas
- ★ [illegible]-class non-contributory Pension Scheme and retirement at age 55.
- ★ Eighteen-month tours with 108 days' leave between each tour. £100 kit allowance on appointment. Free medical attention overseas (though our health record is excellent). Free travel.

Interviews arranged in London.

Write, giving full particulars, to: The Secretary,
BANK OF WEST AFRICA LIMITED,
37 Gracechurch Street, London, E.C.3.

The High Authority of the European Coal and Steel Community in Luxembourg requires for an auxiliary appointment a fully qualified English translator to translate highly specialised administrative, economic, social, political and technical texts, official records and reports, speeches etc., into English from French and German and if possible other languages (notably Italian and Dutch). Qualifications required: Mother-tongue English. University degree or equivalent qualification Practical experience in translating even difficult texts into first-class English. Thorough knowledge of French and German (knowledge of Italian and/or Dutch an additional advantage). Applications in writing with a full statement of qualifications and experience and supported by copies of certificates should be made to the Director of Personnel of the High Authority, 2 Place de Metz, Luxembourg before August 6th, 1965. Only candidates selected will be formally invited to sit for a competitive examination in London (expenses paid).

Industrial Intelligence

Information Executive — *Technical Development Capital Ltd.*

T. D. C. is a unique organisation, backed by a large number of Insurance Companies, Merchant Banks and Investment Trusts, which makes capital available for the commercial exploitation of new technical products and processes. This special role is of considerable importance to the future of British Industry.

The Company now has a need for an Information Executive who will set up and control a fact-finding service. His duties will include collecting information on the extent of industry's interest in projects submitted to T. D. C., and obtaining technical assessments from experts in the appropriate fields.

Applicants must have suitable previous experience. Possible backgrounds include R. & D., librarianship, technical journalism, and economic intelligence.

The successful candidate will have a very interesting job, and his abilities will be well rewarded.

Please write to Binder, Hamlyn, Fry & Co., 121 Queen Victoria Street, London, E.C.4. No information will be given to the client or to anyone else without the candidate's permission.

The Scottish Gas Board

Personnel, Welfare and Training Officer

South-Eastern Region

Applications are invited for the above post in the South Eastern Region of the Board. The appointment is based on Edinburgh.

Applicants should possess a sound knowledge of personnel management and have practical experience of Personnel, Welfare and Training work within the gas industry or another large industrial organisation. A university degree or membership of the Institution of Personnel Management will be an advantage.

The successful applicant will be responsible to the Board's Personnel Manager for the implementation throughout the Region of personnel and industrial relations policy and of education, training and welfare schemes and for the maintenance of personnel records.

The salary scale applicable to the post will be £1,545–£2,010 a year (£1,595–£2,080 a year from the 1st of December, 1965) with initial placing according to qualifications and experience.

The post is pensionable and the successful applicant will be required to pass a medical examination.

Applications stating age, and giving particulars of education, training, qualifications and experience, together with the names of two referees, should be sent, within ten days of the appearance of this advertisement to: The Secretary, The Scottish Gas Board, 26 Drumsheugh Gardens, Edinburgh 3.

Appointment of MANAGER (Administration)

at the

ELECTRICITY COUNCIL RESEARCH CENTRE (CAPENHURST), NR. CHESTER

The Electricity Council intend to establish a substantial new Research Centre at Capenhurst, Cheshire, to undertake research and development into the distribution of electricity and in appliances and methods of economic utilisation of electrical energy in all spheres of life.

The Manager (Administration) will be responsible to the Director of the Centre for accountancy, both budgetary cost control and analysis for managerial control; purchasing and stores; personnel including welfare, restaurants, library, technical information retrieval and reproduction; buildings and maintenance; drawing office. The successful candidate will be expected to advise, adapt and develop the most satisfactory techniques for the operation and control of these services in the environment of a Research and Development Centre.

The possession of a degree or a professional qualification is desirable and he should have successfully experimented with management techniques, preferably, but not necessarily, in research administration and have demonstrated a flexibility of outlook and be able to show initiative while working within the special circumstances of research administration.

- **The appointment initially will be within the range £2,715–£3,470 per annum. The maximum will rise to £3,590 per annum on June 1, 1966. The successful candidate may have to spend limited periods at the Council Headquarters, 30 Millbank, London, during the next few months.**

Applications giving details of age, qualifications, experience, present position and salary should be submitted to Mr K. H. Hughes, Assistant Secretary (Establishments), 30 Millbank, London, S.W.1, by not later than September 3, 1965.

Quote Ref.: E 481.

Research Appointments

PENSIONABLE appointments as (a) Senior Research Officer, (b) Research Officer, for [illegible]

DUTIES involve collection and analysis of information, and the preparation of reports bearing on a wide variety of subjects [illegible] land use, manpower, [illegible] N.H.S. [illegible] redistribution of industry [illegible] the following Departments: Scottish Home and Health Department, Board of Trade and Ministries of Agriculture, Fisheries and Food, Health, Housing and Local Government, Labour, Overseas Development and Public Building and Works. Some posts involve travelling, others a liability to serve overseas.

QUALIFICATIONS: normally 1st or 2nd class honours degree (or post-graduate degree) in geography, economics, statistics, sociology or another appropriate subject and additionally for some posts research or other relevant experience.

SALARIES (national): (a) £1,951–£2,640 (interim), (b) £1,685–£2,082. Starting salaries may be above minimum in each case. Promotion prospects.

WRITE to Civil Service Commission, Savile Row, London W.1, for application form quoting 6/10 [illegible]. Closing date August 19, 1965. (18)

Newcastle upon Tyne Education Committee

Municipal College of Commerce

Applications are invited for the following posts which become vacant in September.

GRADE B ASSISTANT LECTURER IN ECONOMICS. Ability to assist with Marketing in the Higher National Diploma course would be an advantage.

GRADE B ASSISTANT LECTURER IN ACCOUNTING AND BUSINESS ORGANISATION to assist with Higher National Diploma and Higher National Certificate classes.

Salary scales (under review) £830 to £1,450 plus additions for degree (or equivalent) and approved training.

Further details and application form obtainable from the Principal, College Street, Newcastle upon Tyne 1, to whom the completed form should be returned within 14 days.

Trades Union Congress

The TUC requires departmental assistants [illegible] in trade union affairs relating to social insurance, safety and welfare, industrial relations, etc., and qualified by education or experience to prepare memoranda and reports, especially on [illegible] of economic and industrial [illegible] £838 to £1,140 [illegible] £1,600. Details, before Au[gust] [illegible] from TUC General Secretary, [illegible] Russell Street, W.C.1. Quo[te] [illegible] DAE.

University of Bristol

Applications are invited for the post of ASSISTANT LECTURER (Grade III) in POLITICS, tenable from October 1, 1965 [illegible] the scale £1,050 × £75 [illegible] with superannuation. Further [particulars] may be had from the Registrar, Senate House, Bristol 2, to whom [applications] should be sent by August 19th.

For further announcements see pages 485 and 487

University of New South Wales

Lecturer

DEPARTMENT OF ELECTRONIC COMPUTATION

Applications are invited for the above-mentioned position which will be in the field of electronic data processing with special reference to commerce.

Salary: £A2,400 to £A3,170 per annum. Commencing salary will be according to qualifications and experience.

Applicants must have distinguished record in economics or commerce. Experience in computer programming and modern data processing would be advantageous but is not essential.

The successful applicant will give special courses in programming and data processing applicable to the Faculty of Commerce and the Institute of Business Administration. He will provide appropriate tutorials, lectures, seminars and assist academic staff and students within the Faculty of Commerce with computing problems and research.

The University has purchased an I.B.M. model 360/50 computer which will be installed in April, 1966.

Details of appointment, including superannuation, study leave, housing scheme may be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in Australia and London on August 31, 1965.

The Civil Service

H.M. Inspector of Taxes

At 30 you should be earning over £2,000 and be in command of 15 staff in one of 700 Districts spread throughout the country. By 36 your salary could be more than £3,000 with good prospects of going higher. There are over 150 posts with salaries ranging up to [illegible] £3,800, these top jobs afford opportunity to participate closely in formulation of tax policy.

The work has great variety and gives scope for independence and initiative. The Inspector is expected to make his own decisions involving millions of pounds and applies professional skills in determining tax liability over the whole range of industry and commerce. He is in close contact with professional and business people of all kinds.

The main qualities required are commonsense, sound judgment and a developed intellect. The job needs administrative ability but only a normal facility with figures. Arts graduates make successful Inspectors. Women find the work satisfying and do well.

POSTS in the Tax Inspectorate (open to both men and women) are available now. Selection by interviews and group tests. No written examination.

AGE LIMITS: at least 20 on August 1, 1965, and under 28 on date of application.

QUALIFICATIONS: (a) university degree or diploma in technology with 1st or 2nd Class honours (final year students may apply) or (b) membership of Institute of Chartered Accountants or Association of Certified and Corporate Accountants with at least two years' qualified experience. Concessions on age and formal qualification for members of H.M. Forces and H.M. Overseas Civil Service who are under 45.

SALARY SCALE (inner London) £956–£1,895. Starting salary may be above minimum.

For full details and application forms write now to:

The Secretary, CIVIL SERVICE COMMISSION, SAVILE ROW, LONDON W.1. (18)

Ministry of Technology

HEADQUARTERS OFFICE
State House,
High Holborn,
London W.C.1

ASSISTANT EXPERIMENTAL OFFICER/EXPERIMENTAL OFFICER to assist in design and production of publications and information documents. Work mainly editorial including preparation of newsletters. Some experience of technological research on problems of promotion, innovation in industry required, editorial experience an advantage.

QUALIFICATIONS: Degree, Dip. Tech., H.N.C. or equivalent in appropriate subject. Under 22: minimum qualification [illegible] G.C.E. "A" level [illegible] scientific subject. A.E.O. age 18–27, E.O. normally 26–30.

SALARY: A.E.O. £[illegible] (at age 18) [illegible] (age 26 or over) £1,256. E.O. £1,391–£1,[illegible].

APPLICATION FORMS from the Principal Establishment Officer at the above address quoting [illegible]. Closing date August [illegible] 1965. (16)

The University of Liverpool

Chair of Applied Economics

The Council of the University invite applications for the [newly es]tablished Chair of Applied Economics. The salary will be within the [range] approved for professorial appointments.

Further particulars of the Chair may be obtained from the undersigned, by whom twelve copies of applications (one in the case of overseas candidates) should be received not later than August 30, 1965.

H. H. BURCHNALL
Registrar

July 1965

University of Malaya

Department of Economics

Applications are invited for appointment as LECTURER/ASSISTANT LECTURER IN THE DEPARTMENT OF ECONOMICS.

Candidates should have at least a good Honours Degree with suitable research or teaching experience. Candidates specialising in Economic Theory, Public Finance, Social Accounting or Economic Planning would be given preference.

Salary scale (approximate sterling equivalent):

Lecturer: £1,338 × £56 – £1,624; £1,680 × £63 – £1,995 per annum.

Assistant Lecturer: £1,120 × £56 – £1,[illegible] per annum.

In addition the following allowances are payable:

Variable allowance: 35 per cent of basic salary, subject to certain maxima depending on marital status: Minimum £210 per annum, maximum £500 per annum.

Inducement allowance (if awarded), varies: (a) For Lecturers, up to £420 per annum. (b) For Assistant Lecturers, up to £280 per annum.

Housing will be provided, if available, for which a rent of £117 to £175 per annum will be charged.

Provident Fund: Staff member contributes 5 per cent and University 15 per cent of basic salary.

Further particulars and application forms are obtainable from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

The closing date for the receipt of applications in Kuala Lumpur and London, September 1, 1965.

STATISTICIAN

To strengthen our Production Planning Control function, an interesting and challenging opening has occurred for a Statistician at our modern factory near Southampton.

After an initial training, he will take responsibility for important aspects of Production Control activities covering the analysis of sales forecasts and the determination of Production Planning and Inventory policies.

This is a new appointment offering a stimulating career to a man, 24-30, who possesses a degree or similar qualification in statistics or a relative subject. Previous industrial experience, though not essential, will certainly be considered useful. Prospects for promotion are good.

Please apply in writing, giving brief details of age, education and career, to:

The Personnel Officer,
William R. Warner & Company Limited,
Chestnut Avenue, Eastleigh, Hants.

PERSONAL ASSISTANT to the Group Finance Director

The Finance Director of the Powell Duffryn Group of Companies requires a Personal Assistant to undertake financial and profitability studies, and to review and assess proposals for investment, including Stock Exchange investment.

The appointment offers wide experience in company financial administration, with prospects of subsequent advancement in general, financial or investment management.

We envisage that the successful applicant will be about 30 years of age, possibly a graduate in Economics, and with considerable previous experience of financial and investment analysis.

The salary offered will be commensurate with our selective requirements in filling the post.

Please write, giving brief details of age, qualifications and experience, to the Group Personnel Officer, Powell Duffryn Ltd., 8 Great Tower Street, London, E.C.3.

Industrial Market Research

Industrial Facts and Forecasting Limited is a new company specialising in market research in industrial and technical markets. We have started work with the support of large industrial companies, sound financial backing, the services of a panel of technical consultants, and links with industrial research specialists in many parts of the world.

Two RESEARCH EXECUTIVES are now required to work on industrial and technical research projects. First preference for men or women with experience in an independent industrial research agency, or the research department of a progressive industrial company. Suitable training would be in engineering, economics, statistics, operational research; experience in industry very desirable. One post would provide opportunities to travel and sell the company's services to industry.

Initial salary £1,000-£1500 with membership of generous Executive Bonus scheme.

Reply in confidence to A. R. McIntosh, Industrial Facts and Forecasting Limited, 155 Oxford Street, London, W.1 (REGent 6545.)

For further announcements

see pages 485 and 486

Victoria University of Wellington

NEW ZEALAND

Senior Lecturer or Lecturer in Economics

Applications are invited for the above-mentioned post. Preference will be given to a candidate who has qualifications in Economic Statistics or Econometrics, but applications will be accepted from persons with qualifications in other branches of Economics.

The salary for a Senior Lecturer will be £2,300 per annum rising to £2,500 per annum, and for a Lecturer £1,300 per annum rising to £2,000 per annum—with a bar—then on recommendation to £2,200 per annum. The initial salary will be determined according to the qualifications and experience of the appointee.

Approved fares to Wellington will be allowed for the appointee and his family, together with actual removal expenses within specified limits.

Further particulars and information as to the method of application should be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close in New Zealand and London on *September 15, 1965.*

University of New England

ARMIDALE, NEW SOUTH WALES

Associate Professor Senior Lecturer Lecturer in Economics

Applications are invited for the position of Associate Professor, Senior Lecturer Lecturer in Economics. The University will welcome applications from those with interests in any areas of Economics. The Department of Economics supervises students for the M.Ec and Ph.D. degrees and teaches courses leading to the B.Ec. degree (at both the pass and honours level). The majority of these courses are also taken by students in the Faculties of Arts and Agricultural Economics. Academic staff are expected to engage in research and grants are available to assist the research of individual members of the department.

Provision is made for travel and removal expenses incurred in taking up an appointment, superannuation benefits and staff housing loans. Academic staff are also entitled to travel grants and full salary for study leave.

Salaries are as follows: Associate Professor A$4,300; Senior Lecturer A$3,300 x A$100 A$3,800; Lecturer, A$2,400 x A$110 A$3,170.

Further information may be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in Australia and London on *September 6, 1965.*

University of New England

ARMIDALE, NEW SOUTH WALES

Wheat Industry Research Fellowships

Applications are invited for two new Research Fellowships in the Faculty of Agricultural Economics established under grants received from the Wheat Industry Research Council.

RESEARCH FELLOW IN THE ECONOMICS OF WHEAT STORAGE AND TRANSPORT

The successful applicant will undertake research to determine optimal amount, type and location of storage in relation to local and overseas supply trends and conditions of international trade and will investigate the integration of storage, transport and handling facilities. The programme will be carried out under the supervision of Professor Takashi Takayama.

RESEARCH FELLOW IN THE ECONOMICS OF WHEATGROWING

The successful applicant will undertake a series of related studies on economic adjustments, farm organisation and management problems of the wheat industry under the supervision of Professor J. L. Dillon.

CONDITIONS OF APPOINTMENT

Salary will be within the range £A2,400 to £A3,170, with commencing salary determined according to qualifications and experience. Provision is made for travel and removal expenses incurred in taking up an appointment.

Further information may be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in Australia and London on *August 31, 1965.*

BBC RADIO requires TWO PRODUCERS in the Current Affairs group within Talks and Current Affairs Department. This group is responsible for the daily series "Ten O'Clock," "Today" and "Listening Post" and for several weekly programmes. Successful candidates will take part in preparing and producing talks, interviews and discussions throughout the whole range of programmes involved, and will be expected to learn how to handle programme production facilities at high speed. Wide contemporary interests essential and journalist experience an advantage. Some late evening and a smaller element of overnight shift work is involved. Appointment will be on short-term contract for one or two years, initially at a salary of £1,805 p.a. with a possibility of a higher salary if qualifications exceptional. Write for application form (enclosing addressed envelope and quoting reference 65/G/499/Ec) to Appointments Department, BBC, London, W.1, within five days.

EXPORT/OVERSEAS OPERATIONS

Senior marketing EXECUTIVE, major international group, forty, university economics - trained, multilingual, nine years' overseas experience Europe / South America, interested contact British or U.S. company now recruiting for initial or expanded exports / overseas operations.—Write Box 901, Reynell's, 88-90 Chancery Lane, W.C.2.

EDUCATION, BUSINESS AND PERSONAL

TOP PEOPLE'S SECRETARIES are well placed generally by Stella Fisher Bureau in the Strand.

SECRETARIAL TRAINING for Women, especially university graduates and older students; 6-month and intensive 14-week courses. Write Principal, Davies's, 158 Holland Park Avenue, W.11. PARK 4084

Home Study Courses
B.Sc. (Econ.) LL.B.

and other external degrees of the University of London. Also Accountancy, Secretarial Law, Costing, Banking, Insurance, Marketing, G.C.E., and many (non-exam courses in business subjects including the new Stockbrokers and Stockjobbers course. Write today for details or advice, stating subjects in which interested, to

Metropolitan College
(Dept. G9/2), St Albans,
or call at 30 Queen Victoria Street,
London, E.C.4 City 6874
(Founded 1910.)

WANTED 500 ton Luxury Motor Yacht to very high standard with accommodation for 40 persons. Large sum available for immediate purchase. Telephone Captain O. M. Watts, HYDe Park 4613

COMPUTER PROGRAMMING - Train for a well paid post in this expanding field through ICS. For details of new home-study courses (Inc. IBM 1401) write ICS (Dept. 424), Parkgate Road, London, S.W.11.

Tuition at Home

Wolsey Hall (Est. 1894) provides successful courses for G.C.E. (all Examining Boards), and for London University External B.Sc.Econ., B.A., B.D., B.Sc., LL.B. Degrees, also Diplomas and Certificates. 1,934 Wolsey Hall students passed B.Sc.Econ. since 1950. Tuition also for Law, Statistical, Secretarial and other Professional Exams., R.S.A., etc. Moderate fees, instalments if desired. Prospectus from E. W. Shaw Fletcher, C.B.E., LL.B., Principal, Dept. P 17.

Wolsey Hall, Oxford

BENGUELA RAILWAY COMPANY

The following Preliminary Traffic Results for the first six months of the year 1965 compared with the first six months of the year 1964 have been issued.

	1965		1964	
Kilometres run	3,681,711		3,616,689	
	Tons	Escudos	Tons	Escudos
Passenger Traffic	—	11,514,000	—	10,287,000
Local Traffic:				
Minerals	126,238	16,980,000	142,798	17,929,000
Other	374,160	54,705,000	353,759	48,387,000
Transit Traffic:				
Minerals	280,828	134,919,000	279,698	129,416,000
Other	77,303	56,448,000	82,918	55,481,000
Miscellaneous Receipts	—	5,000,000	—	5,170,000
Total	858,529	279,566,000	849,173	266,670,000
Working Expenses in Africa		175,916,000		170,009,000
Net Operating Receipts		103,650,000		96,661,000

Tanganyika Concessions Limited owns all the Debentures and 90 per cent of the equity of the Benguela Railway.

OF COURAGE

Once upon a time there were 254 strong, healthy men and women like you. They had jobs to go to, families to enjoy, homes of their own to make. They had never met but they shared one thing in common. Each in turn was to be struck down by an incurable disease of the limbs.

First their limbs were to be robbed of their ability to work. Then gradually the limited movement required for leisure was to be denied them. Finally, incapacity was to force them to exchange their home surroundings for a life in hospital.

Those 254 men and women are our patients. First rate medical care and nursing we know we can give them. But to create a new *home* for them, as we try to do, would be impossible were it not for the incredible courage and cheerfulness of the patients themselves. They help us to find for them a new definition of happiness.

THE ROYAL HOSPITAL AND HOME FOR INCURABLES
119N, West Hill, London, S.W.15.

Please help us.
We depend on voluntary contributions

The HALIFAX for strength and security

ASSETS £792,000,000 RESERVES £29,320,000

Shares and Deposits in the Society are Trustee Investments

HALIFAX
BUILDING SOCIETY
Member of the Building Societies Association

Head Office: Halifax, Yorkshire • *London Offices:* 51 Strand, W.C.2
9 Holles Street, Cavendish Square, W.1 • 62 Moorgate, E.C.2
136 Kensington High Street, W.8

Cambio + Valorenbank Zurich

Phone 47.54.04 **Telex 52.642**

Tokyo correspondent:

Marusan Securities Co Ltd Tokyo

TOKYO MARKET LETTER ON REQUEST

UNIVERSITY OF YORK

£400,000

is needed urgently towards further residential accommodation.

Gifts, covenants or bequests will be received with gratitude.

Contributions or enquiries please, to
Hon. Director of the Appeal,
University of York · Heslington · York

Registered as a Newspaper. Authorised as Second Class Mail, Post Office Dept., Ottawa. Printed in England by St. Clements Press Ltd., London E.C.4. Published by The Economist Newspaper Ltd. at 25 St. James' Street, London S.W.1. Telephone Whitehall 8155. Postage on this Issue: UK 8d., Overseas 8d.

STOCK PRICES AND YIELDS

LONDON STOCK EXCHANGE INDICES

	THE ECONOMIST-EXTEL INDICATOR (1953=100)			FINANCIAL TIMES (1935=100)		FT-ACTUARIES INDICES (April 10, 1962=100)			Bargains Marked
1965	Noon	Close	Yield %	Ord. Index	Yield %	500 Shares	Yield %	2½% Consols Yield	
July 21	366·5	366·0	5·86	318·9	6·13	100·44	5·93	6·63	8,378
" 22	365·9	366·3	5·87	318·5	6·13	100·27	5·94	6·63	8,640
" 23	368·4	368·2	5·84	320·6	6·13	100·70	5·91	6·61	9,030
" 26	365·0	364·1	5·91	316·3	6 21	99·71	5·97	6·61	10,628
" 27	362·1	362 6	5 93	314·7	6·24	99·24	6·00	6·64	9,484
" 28	361·9	363 4	5 92	315·2	6·23	99·32	6·00	6·64	8,452
	High, 405 2 (May 14) Low, 361·1 (July 5)			High, 359 1 (May 3) Low, 314·7 (July 27)		High, 111·39 (February 18) Low, 99·17 (July 5)			

Prices, 1965 High	Low	BRITISH FUNDS DOMINION AND CORPORATION STOCKS		Price, July 21, 1965	Price, July 28, 1965	Net Red. Yield, July 28, 1965§ £ s. d.	Gross Red. Yield, July 28, 1965 £ s. d.
99 27/32	97 11/16	Savings Bonds 3%	1955–65	99.16.5	99.17.4	3 7 0	5 14 0
92 15/16	90 7/8	Savings Bonds 2½%	1964–67	92 27/32	92 25/32	4 10 10	6 18 7
84 9/16	82 7/8	Savings Bonds 3%	1960–70	84 9/16	83¼*	4 11 4	6 17 11
79 9/16	76¾	British Electric 3%	1968–73	78 7/8	78¾	4 8 11	6 15 2
75	71½	Savings Bonds 3%	1965–75	72*	72 1/8*	4 11 8	6 17 5
73¾	70¼	British Electric 3½%	1976–79	71 1/8	71¼	4 8 1	6 14 10
61¼	56½	British Transport 3%	1978–88	57 3/16	57 3/8	4 8 5	6 13 7
92	88¼	Funding 4%	1960–90	92	92	3 8 9	5 4 8
58 7/8	53 3/8	British Gas 3%	1990–95	54	54 1/8	4 6 1	6 11 11
88½	82½	Treasury 5½%	2008–12	83¼	84	4 0 6	6 15 8
55 9/16	51¼	War Loan 3½%	after 1952	51¾	52	3 19 7	6 16 1
40 3/16	37	Consols 2½%		37 5/8	37¾	3 18 0	6 13 1
87½	85 3/8	Australia 3¼%	1965–69	86¼	86 1/8	...	7 1 0
89¾	87¼	Birmingham 4¼%	1967–70	87¾	88	...	7 1 0
104¼	99½	LCC 6¼%	1974	100	100	...	6 15 0
98¼	94½	Australia 6%	1974–76	95½	95¼	...	6 15 6
102 1/8	97 5/8	Bristol 6½%	1975–77	97 5/8	97 7/8	...	6 14 0
98¾	93¼	New Zealand 6%	1976–80	96	93¼*	...	6 12 6
83	80	Northern Rhodesia 6%	1978–81	81	80	...	8 4 6p
103 5/8	99 1/8	LCC 6¾%	1988–90	99¾	100	...	6 15 0
55½	53½	Southern Rhodesia 4½%	1987–92	54*	54½*	...	8 19 0
45¾	43	LCC 3%	after 1920	43	43¼	...	6 18 6

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, July 21, 1965	Price, July 28, 1965	Yield, July 28, 1965 %	Cover
			BANKS, DISCOUNT & HP					
62/–	53/3	6½ a	Barclays £1	56/–	55/6	55/3	4·2	...
47/9	39/3	5 a	Lloyds £1	41/6	42/6	42/9	4·4	...
18/4½	16/–	7½ a	Martins 5/–	17/7½	18/–	18/–	4·2	...
59/–	50/9	6½ a	Midland £1	51/6	52/6*	51/9*	4·6	...
72/3	62/6	8 a	Nat. Provincial £1	66/6	63/9*	64/6*	5·0	...
61/9	47/6	6¾ a	Westminster 'B' £1	54/9	56/6*	56/6*	4·6	...
48/–	39/3	8 b	Australia & N. Z. £1	44/6	40/6	40/9	5·9	...
37/3	28/6	6 b	BOLSA £1	33/3	28/6	29/6	6·4	...
£25 5/16	£21 15/16	$2·20c	Bank of Montreal $10	£23 11/16	£22 3/8	£23	3·2	...
55/3	43/3	5‡‡a	Bank of New S. Wales £1	48/3	45/3	45/3	3·5	...
39/9	37/–	5½ a	Barclays DCO £1	39/3	37/9	38/9	5·7	...
47/6	41/6	7½ b	Chartered £1	46/6‖	44/9	47/6	6·3	...
£12 1/8	£8 3/8	6/6b	Hongk'g. & Shang. $25	£9 1/8	£8 5/8*	£8½*	5·3	...
30/8¼	24/6	5 a	Nat. Com. Bk. Scot. 10/–	27/6	25/9	25/6	4·7	...
£30 3/8	£26½	$2·60c	Royal Bk. Canada $10	£28¾	£26 7/8	£27 7/16	3·1	.
60/–	51/9	10 b	Standard Bank £1	57/9	53/–	54/6	6·4	...
29/7½	23/3	16½ b	Hambros 5/–	27/–	23/6	23/9	5·1	...
14/8¼	10/11½	4 a	Hill, Samuel 5/–	12/7½	10/7½	10/11½	4·9	..
31/3	26/6	24 c	Montagu Trust 5/–	31/6	27/6	27/3	4·4	...
59/–	47/–	6 b	Schroders £1	59/–	47/6	48/–	4·0	...
50/–	42/3	6¼ a	Union Discount £1	45/9	42/3*	43/3*	5·8	...
11/1½	9/–	4 a	Bowmaker 5/–	10/–	9/3	9/–	8·3	1·4
18/–	13/–	15 b	Lombard Banking 5/–	16/–	14/–	13/7½	7·3	...
15/3	13/6	7½ a	Mercantile Credit 5/–	14/6	14/4½	13/9	7·3	1·7
17/6	15/–	14 b	United Domins. Tst. 5/–	17/3	15/9	15/1½	6·6	1 4
			BREWERIES, Etc.					
14/7½	11/9	5 a	Allied Breweries 5/–	12/4½	12/4½	12/–*	6·0	1·5
18/4½	13/7½	4 a	Bass, Mitchells & B. 5/–	15/3	14/1½	14/–	5·7	1·8
15/1½	12/11½	10 b	Charrington United 5/–	13/4½*	12/6	12/1½	6·2	1·7
24/6	20/–	7½ b	Distillers 10/–	22/9	22/7½	23/–	5·4	1·8
22/–	18/–	8 a	Guinness 5/–	20/3	18/3	18/–	5·8	1 7
20/6	13/5¼	11½ b	Harveys 5/–	15/3	17/7½*	17/10½*	4·6	1 7
65/6	52/–	8 b	Scottish & Newc. Brew. £1	60/6	52/9	52/–	5·4	1 9
17/7½	13/4½	4¾ a	Watney Mann 5/–	14/9	14/–	13/7½	5·9	1·9
16/7½	13/1½	9 b	Whitbread 'A' 5/–	14/–	13/3*	13/11½*	7·6	1·8
			BUILDING, PAINT, Etc.					
59/7½	47/3	6½ b	Associated Portland £1	56/6	49/3	47/3	4·2	2·4
27/9	19/9	6½ b	British Plaster Bd. 10/–	25/9	22/6	19/9	5·6	2·0
26/3	18/10½	12 b	Richard Costain 5/–	24/6	20/11½	18/10½	5·3	3·4
10/9	8/–	8½ b	Crittall Hope 5/–	8/7½	8/0¾	8/0¾	7·4	1·9
16/3	12/3	17 b	International Paints 4/–	14/10½	13/3	12/9	7·8	1·7
25/6	18/6	15 b	London Brick 5/–	23/3	19/9	18/6	5·4	2·2
27/3	20/7½	10 b	Rugby Portland 5/–	26/1½	20/9	20/9	3·6	3·1
			CHEMICAL					
24/6	20/3	16 b	Albright & Wilson 5/–	23/3	21/1½	20/3	5·2	1·8
19/9	16/10½	5 a	Borax Defd. 5/–	19/4½	17/3	17/9	4·5	2·3
56/–	49/–	5 a	Fisons £1	53/6	51/3	51/6	4·7	1·7
49/1½	42/4½	7½ b	I C I £1	45/3	44/7½	43/6	5·7	1·3
16/3	13/–	10 b	Monsanto 5/–	13/6	13/6	13/–	5·3	1·3
			DRAPERY & STORES					
17/7½	14/6	8 b	Boots Pure Drug 5/–	16/–	15/4½	15/4½	3·9	2·3
26/6	19/9	2 a	Montague Burton 10/–	25/6	23/6	23/6	3·4	1·6
38/3	30/4½	6¼ a	Debenhams 10/–	33/3*	31/4½	31/–	7·0	1·5
37/6¾	32/8¼	21¾ b	Grattan Warehouses 5/–	35/6*	36/–	36/–	4·3	1·7
45/6	38/7½	25 b	GUS 'A' 5/–	43/–	42/1½	41/6	4·2	2·1

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, July 21, 1965	Price, July 28, 1965	Yield, July 28, 1965 %	Cover
25/3	19/9	18½ b	House of Fraser 5/–	23/9	20/1½	19/10½	8·2	1·3
13/4½	10/1½	10 b	Lewis's Invest. Tst. 4/–	12/1½*	10/4½	10/1½	5·9	1·8
35/6	32/6	20 b	Marks & Spencer 'A' 5/–	34/6	33/7½	33/–	4·4	1·4
30/6	27/–	6 a	United Drapery 5/–	28/3	27/3	27/3	4·8	1·8
23/3	18/–	5½ a	Woolworth 5/–	19/7½	18/3	18/3	5·5	1·4
			OIL					
54/9	44/–	‡8½ b	British Petroleum £1	51/3*	49/4½	50/–	7·9	2·6
51/9	44/3	‡8½ b	Burmah Oil £1	49/3	45/6	46/3	9·5	1·1
£17 13/16	£14¾	18·3b	Royal Dutch 20 fl.	£15⅞	£15 5/16	£15¼	3·8	2·1
36/4½	29/1½	‡18½ b	Shell Transport 5/–	32/10½	30/1½	29/6	8·6	2·0
30/3	21/9	...	Ultramar 10/–	28/4½	22/6	21/9	...	...
			ELECTRICAL & RADIO					
53/3	38/–	8¼ b	AEI £1	46/–	45/9	44/3	5·4	1 5
76/1½	61/7½	10 b	BICC £1	69/7½*	64/6	63/9	(5 0)	2 0
12/7½	9/6¾	4·4a	Crompton Parkinson 5/–	13/9¾	9/9¾	9/9¾	5·0	2·2
75/–	61/6	10 a	Decca 10/–	70/6	63/6	61/6	4·5	1·8
27/9	21/4½	5 a	EMI 10/–	26/9	21/9	22/–	5·7	2·3
18/6	11/7½	6½ b	Elliott-Automation 5/–	15/9	12/–	11/8¼	4·5	1·8
55/3	42/3	9 b	English Electric £1	47/7½	45/–	44/6	5·4	1·9
46/9	37/–	3 a	General Electric £1	39/10½	38/3*	37/9*	4·5	2·7
63/9	44/–	8⅛ b	C. A. Parsons £1	53/9	54/3	52/9	4·7	1·2
132/1½	101/3	10 b	Philips Lamp Works. 10 fl.	128/6	110/–	107/–	3·0	2·3
38/7½	29/3	7 a	Plessey 10/–	34/4½	30/7½	29/11¼	4·0	2·5
18/7½	12/6	20 c	Pye (Cambridge) 5/–	16/–	14/2¼	13/8¼	7·3	2·0
42/3	34/3	20 a	Radio Rentals 5/–	40/7½	34/9	34/3	5·8	2·1
61/3	44/–	7½ b	A. Reyrolle £1	50/–	52/9	52/3	3·8	3·1
76/–	52/3	15 b	Thorn Electrical 5/–	65/6	55/9	57/6	2·6	4·4
			ENGINEERING					
39/9	30/9	5½ b	Babcock & Wilcox £1	34/3	33/6	33/–	6·1	1·4
40/6	33/–	4 a	John Brown £1	37/10½	36/–	36/6	6·0	1·3
9/–	6/9	8 b	Cammell Laird 5/–	8/3¾	7/–	6/9	8·9	0·4
14/–	11/4½	5 a	Internat. Combust. 5/–	27/3	12/0¾	11/11¼	6·3	1·2
26/3	20/4½	7½ b	Swan Hunter £1	23/6	22/–	21/6	9·3	0·6
8/6¾	6/0¾	5¾ b	John Thompson 5/–	8/3¾	6/6¾	6/0¾	7·2	0·6
35/6	26/4½	‡3¾ a	Coventry Gauge 10/–	32/–	27/3	22/–	6·3	1·9
56/6	42/–	‡2 a	Alfred Herbert £1	53/1½	47/9*	46/9	5·8	1·6
27/6	22/–	12½ a	Acrow (Eng.) 'A' 5/–	26/6	22/9	22/–	(5·3)	1·6
25/6	17/6	17½ b	Allied Ironfounders 5/–	24/3	18/10½	18/3	6·8	1·8
23/9	19/9¾	17½ b	Averys 5/–	22/6	24/–	22/–	5·1	1·7
24/10½	18/3¾	5 a	BSA 10/–	20/8¼*	21/6	21/3	(5·6)	2·0
12/–	9/6	8 b	George Cohen 5/–	10/–	10/11¼	11/3	5·3	2·2
15/7½	11/7½	6 b	Davy-Ashmore 5/–	12/10½	12/9	12/9	4·3	...
56/3	45/9	9 b	Guest, Keen £1	48/–	47/6	47/3	5·9	2·0
19/6	12/6	12 b	Head Wrightson 5/–	19/–	12/6	12/6	6·4	1·3
58/3	49/–	7½ b	Metal Box £1	55/1½	50/–	49/–	5·1	1·7
17/8¼	14/9¾	6 a	Ransome & Marles 5/–	16/4½	15/3	14/9¾	5·7	2·1
40/10½	34/1½	5 b	Renold Chains £1	38/9	36/1½	36/3	5·2	1·9
72/9	58/4½	7½ a	Tube Investments £1	59/–*	59/3	60/–	5·0	1·9
28/3	20/9	7½ b	Vickers £1	23/6	21/10½	21/6	9·3	0·5
48/6	38/6	9¼ b	Ward (Thos. W.) £1	42/9	40/10½	40/4½	8·7	1·9
14/9	10/4½	7 a	Wellman Smith Owen 5/–	11/9	11/3	11/4½	(6·6)	1·0
18/6	14/3	16 b	Woodall-Duckham 5/–	15/6	16/1½	16/3	6·5	1·3
			FOOD & TOBACCO					
33/3	28/–	16 a	Allied Suppliers 10/–	28/6	31/9	31/6	5·1	2·1
7/9	7/–	15 b	Assoc. British Foods 1/–	7/7½	7/–	7/–	4·4	2·0
40/–	32/4½	8 b	Bovril £1	36/3	32/10½	33/–	7·3	2·2
12/4½	10/6	‡2½ a	Brooke Bond 'B' 5/–	11/7½	10/9	10/9	5·9	2·8
8/7½	7/3	8 b	Fitch Lovell 2/6	7/7½	7/6	7/7½	4·9	2·4
10/7½	8/10½	9½ b	International Stores 5/–	9/3	9/9	10/–	5·5	2·0
59/6	50/6	10 b	J. Lyons 'A' £1	52/–‖	50/6	50/6	5·3	1·6
33/10½	26/3	5½ a	Ranks Hovis 10/–	29/9	26/6	26/3	6·1	1·9
32/1½	26/–	7 b	Reckitt & Colman 10/–	28/3	27/–	26/6	5·3	2·2
15/9	12/7½	9½ b	Spillers 5/–	15/4½	12/10½	12/7½	5·1	2·3
35/3	28/9	2 a	Tate & Lyle £1	31/–	31/3	30/9	6·5	2·0

FOREIGN AND OVERSEAS STOCKS

	July 21 Frcs.	July 28 Frcs.		July 21 %	July 28 %		July 21 %	July 28 %
FRANCE			**GERMANY**			**HOLLAND**		
Air Liquide	543	560	A.E.G.	416¼	418	A.K.U.	448½	443
Banque de Paris	286·5	293	Bad'che. Anilin.	434	450	Amster. Rot. Bk.	Fl. 59·7	Fl. 58
Citroen	140	148	Bayer	385	388	Bijenkorf	572	646
C. F. Petrole	169	176	Commerzbank.	380	377	Heinekens	472	473
Cie G. d'Elect.	473·5	491	Deutsche Bank.	413	413	Interunie (Fl.50)	Fl. 186	Fl. 185
Machines Bull.	88·2	91·5	Hoechst Farb.	487½	490½	K. N. Hoogoven	498	488
Pechiney	179	188	Kundenkredit	344	342	Kon. Zout-Kay.	888	870
Printemps	186·5	191·5	Loewenbrau	1,015	1,000	Philips (Fl.25)	Fl. 123·3	Fl. 118·4
Rhone-Poulenc	254	274	Mannesmann	199¾	199	Robeco (Fl.50)	Fl 218	Fl. 217
S.I.M.	301·1	311	Siemens	486	492	Thomassen & D.	505	490
Saint-Gobain	190	200	Thyssen-Huette	182½	182	Valeurop	Fl. 64·2	Fl. 63·8
Usinor	91	103·5	Volkswagen	501	497	Zwanenbg (Fl.20)	Fl. 178	Fl. 177
Index	*85·5*	*88·5*	*Herstatt Index*	*93·28*	*93·59*	*Index*	*335·5*	*330·3*
High	*109·4*	*(31.3.65)*	*High*	*105·22*	*(6.1.65)*	*High*	*370·9*	*(2.3.65)*
Low	*84·8*	*(20.7.65)*	*Low*	*89·09*	*(29.6.65)*	*Low*	*320·2*	*(29.6.65)*
	Dec. 31, 1964=100.			*Dec. 31, 1959=100.*			*1953=100.*	

	Lire	Lire		Frcs.	Frcs.		Kr.	Kr.
ITALY			**BELGIUM**			**SWEDEN**		
Ass. Generali	84,900	89,400	Arbed	4,590	4,610	Alfa Laval B.	360	360
Breda	3,250	3,350	Bque. Soc. Gen.	4,080	4,260	Asea	540	555
Edison	2,099	2,140	Ciment'lasBriq.	3,025	3,055	Elektrolux	219	218
Fiat	1,970	2,030	Cockerill-Ougr.	1,810	1,820	Ericsson B. Kr.50	245	241
Finsider	852	868	Esperance Long	2,580	2,780	Skand. Banken.	164	169
La Centrale	9,550g	9,630	Hoboken	5,410	5,460	Sv. Cellulosa	218	215
Montecatini	1,487	1,534	Innovation	3,860	3,910	Sv. Handelsbank	190	189
Motta	11,700	12,200	Petrofina	1,850	1,860	Tandstk. B. Kr.50	163	171
Olivetti	1,722	1,880	Photo Gavaert	2,300	2,308	*Index*	*258·56*	*259·86*
Pirelli S.p.A.	2,920	2,972	Soc. Generale	15,375	15,550	*High*	*260·72*	*(1.2.65)*
Rinascente	234·75	246	Sofina	9,090	9,220	*Low*	*238·72*	*(23.4.65)*
Snia Viscosa	4,055	4,214	Un. Miniere	1,10	808		*Dec. 29, 1956=100*	
Index	*54·39*	*56·14*	*Index*	*125·58*	*127·34*			
High	*64·59*	*(18.3.65)*	*High*	*135·46*	*(8.1.65)*	**NORWAY**	%	%
Low	*49·53*	*(14.1.65)*	*Low*	*124·70*	*(8.7.65)*	Bergens Priv'bk.	170	170
	Jan. 2, 1962=100.			*Dec. 31, 1953=100.*		Borregaard	177½	176
						Norsk Hydro	237½	237½

* Ex dividend. † Tax free. § The net redemption yields allow for tax at 8s. 3d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Equivalent to 8·0 sterling. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) To earliest date. (f) Flat yield. (g) Ex all. (h) After Zambian tax. (l) To latest date. (n) Interim since reduced or passed. (p) Resulting from split of Federation of Rhodesia and Nyasaland Stock. Japanese prices supplied by Daiwa Securities, Tokyo. Canadian 65 Stock Industrial Index supplied by the Montreal Stock Exchange. Yields in brackets are on forecast dividend.

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 8, 1965	Price, July 21, 1965	Price, July 28, 1965	Yield, July 28, 1965 %	Cover
8/11½	6/3	18 b	Tesco Stores 1/-	7/5¼	7/10½	8/-ll	3·8	2·4
13/10½	12/7½	9 b	Unigate 5/-	13/-	12/7½	12/7½	5·5	1·7
55/-	44/9	‡10⅝ b	Brit. Amer. Tobac. ..10/-	48/-	50/3	52/6	7·0	2·4
26/4½	21/-	14 b	Gallaher 10/-	22/9	24/3	24/3	7·6	2·1
57/3	47/-	7½ a	Imperial Tobacco.....£1	49/3	53/6	54/6	7·3	1·6
			INSURANCE					
6⅛	5¼	43½ a	Britannic 5/-	5½	5 15/16	6 1/16	4·5	...
45/9	36/3	25 b	Commercial Union ..5/-	42/3	44/3	45/9	4·9	...
5	4⅛	†40 c	Equity & Law Life ...5/-	4½	4 15/16	4 15/16	3·4	...
50/-	40/3	25 b	General Accident....5/-	49/9	46/9	49/3	3·8	...
34/6	27/3	15 b	Guardian.....5/-	29/9	33/9	34/3	3·9	...
9¾	8¼	50 b	Legal & General.....5/-	9	9⅛	9½	2·6	...
122/6	97/6	13 b	Northern & Empl.....£1	121/3	120/-	121/3	4·0	...
49/3	37/-	†110 b	Pearl 5/-	10½	45/3	44/9	4·9	...
33/3	28/3	†47·9b	Prudential 'A'.....1/-	29/6	32/-	32/6	4·1	...
39/3	30/9	20 b	Royal 5/-	36/3*	38/3	39/3	4·5	...
76/3	62/3	11¼ b	Royal Exchange £1	73/3	74/9	75/9	5·0	...
			MOTORS & AIRCRAFT					
15/11½	12/4½	5 a	Birfield 5/-	15/-	12/6	13/11½	3·8	1·9
15/11½	11/7½	7½ a	British Motor 5/-	14/8¼	12/10½	11/9	8·5	1·7
33/11½	25/-	15 c	Jaguar Cars 'A'.....5/-	30/-	26/-	25/-	3·0	6·8
9/2¼	6/4½	4 c	Rootes Motors 'A'....4/-	7/11½	6/4½	6/4½	2·5	3·1
58/-	47/4½	2½ a	Leyland Motors £1	53/6	48/3	47/6	4·6	2·3
18/-	14/6	8½ b	Bristol Aeroplane...10/-	15/10½	15/3	15/-	9·0	2·0
35/3	27/10½	7 b	Hawker Siddeley £1	29/10½	32/1½	31/3	7·7	1·7
40/3	31/3¾	7½ b	Rolls-Royce.....£1	35/10½	37/-	36/6	5·5	1·9
20/4½	15/3¾	†3¼ b	Dowty Group.....10/-	17/10½	17/-	15/6	5·7	2·0
31/6	25/6	10·8 b	Dunlop Rubber 10/-	29/4½	26/4½	25/6	6·2	1·8
35/9	29/9	2½ a	Joseph Lucas £1	32/9*	30/-	29/9	5·6	2·4
12/5¼	8/9	13 b	Pressed Steel.....5/-	10/11¼	9/6	11/6	7·6	2·0
30/4½	24/11½	5⅝ b	Triplex Holdings....10/-	24/10½	24/3	24/11½	(5·2)	...
			PAPER & NEWSPAPERS					
46/6	39/-	20 b	Financial News.....5/-	44/9	39/3	39/-	3·2	2·9
67/-	59/-	30 b	Financial Times.....5/-	66/9	59/3	59/-	3·2	2·7
18/3	15/7½	14 b	Internat. Publishing ..5/-	15/9	16/4½	16/3	6·2	1·8
31/6	22/9	16 b	News of the World ..5/-	27/3	23/-	22/9	6·6	1·7
56/6	48/9	8½ b	W. H. Smith & Son 'A'.£1	53/-	49/-	48/9	5·1	2·0
21/9	17/9	18 b	Thomson Org'n. 5/-	20/3*	19/11½	19/3	7·3	1·4
46/-	38/7½	8¾ b	Bowater Paper.....£1	45/9	42/4½	43/6	6·3	1·8
21/9	17/7½	10 a	British Printing.....5/-	19/3	17/10½	17/7½	6·4	1·8
30/-	24/-	17½ c	Bunzl Pulp 5/-	27/9	27/9*	27/9*	3·2	4·5
57/6	47/-	12 b	Reed Paper £1	50/9	52/3	51/10½	6·6	1·5
50/11½	44/3	10 b	Wiggins Teape £1	46/9	44/3	44/6	6·3	1·9
			STEEL					
42/3	25/10½	6 a	Colvilles £1	28/6	31/11¼	30/10½	10·4	1·4
29/-	23/4½	4 a	Dorman Long.....£1	25/3	26/3¼*	26/3	10·7	1·2
31/-	19/-	2 a	Lancashire Steel..... £1	19/3	22/9	21/6	(n)	0·9
24/-	16/6	4 a	South Durham.....£1	18/-	19/3	19/1½	12·5	1·3
28/6	17/7½	3⅜ a	Steel Co. of Wales....£1	19/-	23/8¼	23/3	8·6	...
36/3	30/-	5 a	Stewarts & Lloyds £1	32/3	32/9¾	32/7½	10·7	1·6
35/3	27/3	6 a	John Summers £1	30/3	32/6	32/3	9·9	1·7
36/6	27/-	6 a	United Steel.....£1	29/3	31/-	29/9	10·1	1·1
			MISCELLANEOUS					
26/4½	23/-	20 b	Assoc. British Picture 5/-	23/10½	23/9*	24/-*	6·3	2·9
14/11¼	12/10½	12½ b	Assoc. Television 'A' 5/-	14/2¼	14/2¼	13/7½	8·3	2·0
30/3	27/1½	6½ b	Wm. Baird £1	29/11½	27/9	27/6	6·9	2·4
22/3	19/-	11 b	Beecham Group.....5/-	19/10½	20/11½	20/4½	4·9	2·0
19/3	16/9	†6¾ b	Bookers.....10/-	19/-	17/9	17/9	9·6	2·1
44/-	36/4½	7·92b	British Match £1	41/11½	38/4½	37/10½	5·9	1·9
10/3	8/6¾	3 a	British Oxygen.....5/-	9/1½	8/9	8/9	5·7	1·6
12/9	9/4½	11 b	British Ropes 5/-	11/-	11/4½	11/-	6·4	1·8
11/6	9/4½	37½ b	Butlin's 1/-	10/9	9/9	9/9	5·6	1·2
31/9	21/11½	10 b	De La Rue.....10/-	27/6	21/11½	22/6	6·7	1·7
19/-	13/10½	12 c	Drages 5/-	16/10½	14/6	14/7½	4·1	2·9
25/9	19/6	4 b	Gestetner 'A' 5/-	25/3	20/6	20/9	3·9	2·7

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 8, 1965	Price, July 21, 1965	Price, July 28, 1965	Yield, July 28, 1965 %	Cover
32/9	29/3	6 a	Glaxo.....10/-	31/3*	29/10½	29/4½	4·6	2·5
46/9	38/9	3 a	Harrisons & Cr. Defd..£1	42/3*	43/6	43/6	6·9	2·0
48/4½	39/6	15 a	Hoover 'A' 5/-	45/3	41/3	39/6	7·6	2·1
102/6	85/6	13·27b	Hudson's Bay £1	92/3	90/9	95/6	4·3	2·4
48/6	31/6	4⅛ a	ICT.....£1	44/3	32/9	31/6	7·1	...
20/3	16/-	12 b	Mecca 'A' 5/-	17/-	17/-	16/9	6·9	1·0
35/-	27/-	12½ c	National Canning £1	29/1½	27/3	27/-	9·3	1·1
21/3	16/-	8 b	Powell Duffryn.....10/-	19/4½	18/9¾*	18/3*	6·0	2·1
31/3	21/11½	8 a	Rank Organisation...5/-	24/6	22/-	21/9	(4·8)	2·6
13/11½	11/7½	9½ b	Schweppes 5/-	12/-	12/9	12/4½	5·5	1·6
21/6	18/3	25 c	Sears 'A' 5/-	19/6¾*	19/10½	19/4½	6·5	1·6
18/-	15/2¼	11·2b	Steetley 5/-	20/11½	15/4½	15/4½	4·9	2·0
25/4½	21/3	18½ b	Thomas Tilling 4/-	23/6*	21/4½	21/3	5·4	1·9
43/7½	34/9¾	3¼ a	Turner & Newall.....£1	42/-	35/6¾	34/11¼	6·2	1·7
36/1½	30/4½	15⅝ b	Unilever 5/-	31/9*	31/-	31/3	4·0	3·0
9½	8¼	13·25b	Unilever NV ..... 12 fl.	8 7/16	9⅛	9⅛	2·7	3·0
11/7½	8/3	10 b	United Glass.....5/-	11/1½	8/9	9/3	8·1	0·8
34/7½	25/-	†8¼ a	United Molasses 10/-	33/-	31/6 bid	31/6 bid	(4·8)	...
			MINES					
320/-	238/9	80 a	Anglo-American....10/-	271/3*	308/9	310/-	3·9	1·8
20/9	17/-	...	Charter Cons. 5/-	19/7½	19/9	20/4½	—	...
101/3	86/6	11¼ a	Consolid. Gold Fields.£1	95/9*	100/3	99/6	6·0	2·2
146/3	130/-	20 b	General Mining £1	136/10½	143/1½	141/3	5·0	2·5
116/3	103/11½	120 b	Union Corporation ..2/6	108/9	115/-	114/6	3·5	3·0
150/7½	121/3	120 b	Free State Geduld ...5/-	128/9*	149/4½	148/9	6·4	1·2
131/3	101/10½	40 b	W. Driefontein.....10/-	113/9	128/9	131/3	5·7	1·9
85/-	60/-	6¼ a	Western Deep 'A' £1	78/11½	84/4½	83/9	3·6	4·9
230/-	198/9	160 b	Western Holdings ...5/-	213/9*	230/-	229/4½	6·0	1·2
52/3	38/-	8 17/32 a	Roan Selection Tst. ...£1	40/-	44/9	44/6	9·9h	1·2
13/7½	11/3	7½ c	Tanganyika Cons....10/-	12/3	11/3	11/6	6·5	1·2
63/6	54/3	40 a	Z. Anglo-Amer.....10/-	57/9*	57/3	57/-	15·8h	1·2
183/9	142/6	60 a	De Beers Defd. Reg..5/-	151/11½*	178/9	180/-	4·2	2·2
$183	$154	$2·75c	Internat. Nickel ...n.p.v.	$167½	$161½	$165	3·0	...
18/10½	14/-	32½ b	London Tin.....4/-	16/10½	14/10½	16/7½	9 6	1·4
29/8¼	24/3	14⅛ b	RTZ 10/-	28/7½ll	27/7½	29/1½	(6·5)	2·0
20/-	11/9	15 a	Tronoh 5/-	18/6	14/3	15/-	(n)	1·0
			SHIPPING					
44/-	20/-	2 a	Anglo Norness.....£1	34/3	22/6	23/9	6·3	4·0
20/6	16/9	8	Brit. & Com'wealth.10/-	19/-	19/9	19/4½	6·2	1·4
17/0¾	13/6	5 c	Cunard £1	15/3¾	13/6	13/6	7·4	...
36/6	29/3	10 c	Furness Withy £1	30/-	33/-	34/7½	5·8	...
32/6	24/6	7 b	P & O Defd.....£1	27/4½	26/11½	28/-	7·1	0 6
			TEXTILES					
12/11¼	9/11¼	9 b	English Sewing Cotton 5/-	10/5¼	10/6¾	10/6¾	7·1	1·8
22/9	18/6	16⅔ b	Courtaulds 5/-	19/-	18/7½	18/10½	6·6	1·7
66/3	50/-	6 a	West Riding Worsted.£1	54/6	51/-	51/-	7·1	1·7
21/10½	18/4½	6¼b	Woolcombers.....£1	19/10½	18/10½	18/7½	9·4	1·1
12/11¼	10/2¼	6 a	Calico Printers 5/-	10/9¾	11/2¼	11/0¾	(7·2)	2·4
44/9	36/4½	8¾ b	Coats, Patons & B.....£1	40/9	37/9¾	37/3¾	7·2	1·7
15/3¾	10/9	11⅔ c	Viyella Int. 5/-	21/-*	11/1½	11/-	5·3	2·0
			TRUSTS & PROPERTY					
24/3	20/-	10½ b	Alliance Trust.....5/-	24/3	21/9	22/3	3 9	1·2
54/3	45/7½	37½ b	BET 'A' Defd.....5/-	49/10½	46/4½	47/3	6·6	1·7
18/6	14/9	6¼ a	Cable & Wireless....5/-	18/6	15/9	15/6	4·4	1·3
17/9	13/5¼	10½ b	Philip Hill 5/-	15/6	13/9	14/6	5·5	1·2
30/-	25/6	15½ b	Industrial & General .5/-	29/9	27/-	27/9	4·9	1·2
29/11½	23/10½	12½ a	City Centre Props. ..3/-	27/7½	25/-	25/-	6·0	1·1
60/6	47/9	10 b	City Lond. Real Prop..£1	53/6	58/6	60/6	5·3	1·1
18/3	15/-	5¾ b	Land Securities.... 10/-	15/10½	18/-	17/10½	4·3	1 1
29/3	23/7½	10 b	Lond. Cnty. Freehld..10/-	24/9	28/9	28/6	6 4	1·1
			TEA & RUBBER					
49/-	40/6	122½ b	Cons. Tea & Lands ...£1	49/-	43/6	44/-	19·3	1 5
25/3	15/-	13 a	Iokai (Assam) £1	20/9	15/3	15/-	13·6	...
3/3¾	2/5¼	12½ a	Highlands & Lowlands 2/-	3/0¼	2/8¼	2/8¼	15·5	1·5
3/9	3/3	25 b	London Asiatic.....2/-	3/7½	3/4½	3/4½	17·8	1 7

NEW YORK PRICES AND INDICES

	July 21 $	July 28 $		July 21 $	July 28 $
Atch. Topeka ...	31⅝	31⅝	Gen. Electric ...	96⅛	97⅝
Can Pacific ...	54	54¼	General Foods .	81⅝	79¾
Pennsylvania ...	38⅞	40⅛	General Motors .	94⅛	95½
Union Pacific ...	38	39⅞	Goodyear	48¾	47
Amer. Electric ...	43⅛	41⅜	Gulf Oil	54¾	53⅜
Am. Tel. & Tel. ...	66¼	66½	Heinz	40½	39¼
Cons. Edison ...	43¾	43⅝	Int. Bus Mach. .	463	470½
Int. Tel & Tel. ...	51⅝	49⅝	Int. Harvester ...	35⅝	36½
Western Union ..	38	37⅛	Inter. Nickel ...	80⅛	84
Alcoa	71½	69	Inter. Paper	30⅛	28½
Aluminium	25¼	25½	Kennecott	104	103⅞
Amer. Can.	49	49	Litton Inds.....	85¼	91¼
Am. Smelting	51⅛	54⅜	Monsanto	83	83
Am. Viscose	90½	89½	Nat. Distillers ..	30	30⅝
Anaconda	60¼	63⅝	Pan-American .	26⅝	26⅝
Beth. Steel	34¾	35½	Procter Gamble .	71⅛	72¾
Boeing	72½	77½	Radio Corpn....	33⅜	33¾
Celanese	78½	80⅛	Sears Roebuck..	66⅛	65⅛
Chrysler	43⅝	44⅜	Shell Oil	64	61⅝
Col. Palmolive ...	33⅛	31⅜	Socony-Mobil ...	89⅞	85⅜*
Crown-Zeller ...	51½	49¼	Stand. Oil Ind. ...	47⅛	47⅝
Distillers Seag....	32	32	Stand. Oil N.J. ...	77	75⅝
Douglas	40⅛	43⅜	Union-Carbide	59⅝	60¼
Dow Chemical...	68⅞	66¼	U.S. Steel	46⅛	48¼
Du Pont	233	232	West. Electric .	47¼	48⅝
Fast Kodak	84¼	84¼	Woolworth ...	28⅛	27¼*
Ford Motor	50¾	52	Xerox ...	145	151⅜

Standard and Poor's Indices (1941–43=10).

1965	425 Industrials	Yield %	Govt. Bonds	Yield %
June 30	89·12	3·04	87·16	4·16
July 7	89·65	3·03	87·06	4 17
" 14	90·95	2·98	87 06	4·17
" 21	89·01	3·05	87·06	4·17
" 28	89·7	3·05	n/a	4·18

425 Industrials—High, 95·79 (May 13). Low, 86 43 (June 28).

Money Market Indicators

Interest rates again remained largely unchanged, although seven days deposits with local authorities fetched ½ per cent more at 6½ per cent. Treasury bill rate edged up at Friday's tender. Credit conditions were difficult in the discount market. A strengthening of the forward pound and the consequent reduction in the cost of forward cover swung covered arbitrage margins in London's favour; but in spite of the ⅛ per cent fall in the rate on three months Euro-dollar deposits New York's advantage in covered Euro-dollar/local authority swaps is [illegible] per cent.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91-Day Average Rate of Allotment s. d.	%	Allotted at Max. Rate	Tender Issue Outstanding
1964	*91-Day*					
July 17	230·0	381·0	91 7·01	39		2,990 0
1965						
April 9	170·0	320 6	129 10 59	52		2,280 0
" 15	160 0	377·2	128 9·36	24		2,270 0
" 23	160·0	280·8	127 11·97	28		2,260 0
" 30	160·0	373·8	127 6·00	31		2 260 0
Mar 7	160·0	371·4	126 2·47	41		2,260 0
" 14	160·0	324·3	125 5·69	13		2 260·0
" 21	190·0	431·5	125 6 98	19		2,260·0
" 28	170·0	293·1	127 3·34	61		2,260 0
June 4	170·0	313·1	112 9·31	48		2 250·0
" 11	170·0	330 9	112 0 99	35		2,240·0
" 18	210·0	410·9	111 9·57	34		2 210·0
" 25	170·0	302·4	110 10 02	50		2,240 0
July 2	170·0	402·8	110 0·66	22		2,230 0
" 9	170·0	310·2	111 9·95	30		2,220 0
" 16	170·0	317·1	112 4·63	21		2,220 0
" 23	180·0	327·3	112 6·87	22		2,230 0

On July 23rd tenders for 91-day bills at £98 11s 10d secured 22 per cent. higher tenders being allotted in full The offer for this week was for £180 million 91-day bills.

KEY MONEY AND ARBITRAGE RATES

London — **July 28**

	%
Bank rate (from 7/6, 3/6/65)	6
Deposit rates	
7 days' notice:	
Clearing banks	4
Discount houses ...	4
Local authorities...	6¼
3 months' fixed:	
Local authorities...	6⅛–6½
Finance houses	7–7⅛
Call money:	
Clearing banks' minimum	4⅛
Day-to-day spread .	4⅛-5⅜
US dollar exchange	
Spot rate ...	$2 79 3/16–¼
Forward cover (3 *months*).	
Annual interest cost	1⅞–2 1/16

Market discount rates (3 *months*)	%
Treasury bills ...	5⅝
Bank Bills	5 15/16–6
Fine trade bills...	7–7½
Euro-dollar deposits:	
7 days' notice...	4⅛–4⅝
3 months'	4½–5
Euro-sterling deposits (in Paris).	
2 days' notice...	5⅞–6⅛
3 months'	6½–6¾
Forward rate. (3 *months*) ...	1 7/16–1 3/16c.pm

New York

Treasury bills:		**Market paper:**	
July 21	3 83	Bank bills	4·25
July 28	3·80	Certs. of deposit	4·25

Covered Arbitrage Margins

	In favour of: Last week:	This week:
Treasury bills	N. York 11/32	N. York 5/32
Prime bank bills	N. York 11/32	N. York ¼
Euro-dollar/UK local authority loans.....	N. York ½	N. York 9/32
Euro-dollars/Euro-sterling .	N. York 3/16	N. York 3/32

These covered arbitrage margins show the differentials in rates on the particular sterling and dollar assets, as adjusted for the cost of forward exchange cover, shown above.

The Sumitomo emblem, representing an ancient Japanese well frame, symbolizes a never-ending flow of prosperity.

SUMITOMO
Prepared to serve you in dozens of ways

You've heard of Sumitomo — the giant Japanese industrial group.

It is not only one of the world's largest enterprises, but also one of the oldest.

Started 335 years ago, the Group has grown and prospered and developed into a mighty force in 20th century international commerce.

Last year, the main companies alone generated sales of more than 500 million pounds sterling.

Today the member companies are separate and individual corporations.

Individually, these companies offer you an enormous range of products and services.

But the member companies can — and do — function together. Collectively, they offer you a powerful combination of knowledge and experience in Japanese business.

THE SUMITOMO GROUP

There is no surer way to begin a successful Japanese business venture than by first contacting Sumitomo.

Start by contacting Sumitomo Shoji Kaisha, the Group's worldwide trading company and spokesman. Write to C.P.O. Box 130, Osaka, Japan. Or cable "SUMITSHOJI OSAKA."

They will put you in touch with the member company most well qualified to assist you.

Sumitomo Chemical Co., Ltd. / Sumitomo Machinery Co., Ltd. / The Sumitomo Bank, Ltd. / Sumitomo Metal Industries, Ltd. / Sumitomo Metal Mining Co., Ltd. / The Sumitomo Trust & Banking Co., Ltd. / Sumitomo Mutual Life Insurance Co. / Sumitomo Shoji Kaisha, Ltd. / Sumitomo Coal Mining Co., Ltd. / The Sumitomo Warehouse Co., Ltd. / Sumitomo Electric Industries, Ltd. / The Sumitomo Marine & Fire Insurance Co., Ltd. / Sumitomo Real Estate Co., Ltd. / Sumitomo Cement Co., Ltd. / Sumitomo Light Metal Industries, Ltd. / ⊙ Nippon Sheet Glass Co., Ltd. / NEC Nippon Electric Company Ltd. / Sumitomo Atomic Energy Industries, Ltd.

Simon looks to the future

The Paper Industry

Paper pace-makers

In a paper-chasing world the forward-looking paper maker wanting plant where traditional raw materials are scarce must seek indigenous materials. He finds his answer in the Simon-Cusi process for making paper of many qualities from bagasse (sugar cane stalks) and annual grasses, and in Simon's ability to engineer and build him a complete paper mill from bare site to production. When every deal is a packaged deal the demand for more packaging will go hand in hand with the need for corrugated containers—more sophisticated, more complex. Wonderful things are being done by Simon corrugated board and container-making machinery—more work in less space at lower cost. They have interesting things on the drawing board too. New things are being done with paper by Simon-Waldron plants; they coat it, laminate it, impregnate it, and put a shiny surface on it if you wish. And Simon supply not only the initiative but the drive too, for wherever paper is made or processed, gear units of their design and manufacture keep the wheels turning smoothly, efficiently.

If you are in paper, keep pace with **Simon Engineering Ltd**

STOCKPORT · ENGLAND · AND SIMON HOUSE · DOVER STREET · LONDON W1

THE ECONOMIST □ THIS WEEK

STERLING'S LONGEST YEAR
July's big drain on Britain's gold reserves—which was what Mr Callaghan's dose of exchange control and deflation was about last week—still hit sterling when it was, finally, belatedly and misleadingly, disclosed this week. The Government can now only hold on to the exchange rate; and since most of the world's disposable sterling has already been sold, the mobilised reserves should be adequate defence. **page 539.** The difficulties of Mr Micawber the politician **page 503.**

A TINY BIT OF CAPITALISM IN EAST EUROPE
Most of eastern Europe is buzzing with discussions about how to make a socialist economy more efficient and productive **page 516.** At one end of the scale the **Poles** are cautiously stopping to introduce greater flexibility and some local initiative into industry **page 516.** At the other end, the **Jugoslavs** have bravely decided to force their industry to do better by exposing it to foreign competition **page 517.**

DOCKS: NOW WHO RUNS BRITAIN?
The Devlin report on how labour is used in Britain's ports presents the Government with its severest test of good intentions—and of performances **page 504**

MONOPOLY IN PETROL
The biggest oil marketer in Britain has 45 per cent of the petrol trade; and in the next, and together they have over 70 per cent. But it is the solus system by which they sell petrol not the proportions they sell, that the Monopolies Commission wants the Government to modify **page 542.**

DECAY AT THE DEMOCRATIC ROOTS IN AMERICA
Although the Democrats enjoy huge majorities today, their strongholds in the big cities are no longer impregnable. If New York City falls to a Republican this autumn, this ought to teach a lesson both to inept Democrats and realistic Republicans **page 525.**

FARMERS: GET ON OR GET OUT
Mr Fred Peart's new schemes for getting some uneconomic British farmers out of farming are cautious; but they are the first steps on a long road that Britain must travel one day **page 530**

THE GREEKS HAVE A WORD FOR IT
Greece's political crisis has revealed both Mr Papandreou's spellbinding qualities and the fragility of the links binding his Centre Union Party. After the fall of his successor, Mr Novas, other interim solutions are being canvassed. But there can be no lasting settlement until new elections are held **page 514.**

The Six

MOVING BACK INTO STEP?
The latest prognostications of experts in Brussels suggest that by 1966 the common market countries may all have growth rates clustered around 4 to 5 per cent. The Commission takes a more rosy view than the OECD of the prospects for quicker recovery in France **page 536.**

OLIVE TWIG FROM CAIRO
The South Arabians have begun their talks in London without, so far, being blistered from Cairo. If the talks are to lead to anything, the British government should not muff the chance of turning this small truce into peace **page 507.**

WHITE MAN'S COUNTRY
A Survey of Southern Africa

WHITE MAN'S AFRICA
A survey of South Africa and its surrounding Portuguese, British and black African territories discusses what the West should do about the situation down there, and why **after page 534.**

VENTING FACTORY FIRES KEEPS THEM SMALL

All factory fires are manageable – to start with. The huge losses caused by industrial fires are the result of providing conditions which positively encourage a fire to spread through the factory and grow to vast, uncontrollable proportions.

Fire venting by automatically exhausting smoke, heat and gas through the roof, keeps factory fires small. It does this by limiting heat spread and by keeping the building free from smoke and gas. This allows the fireman to see, approach and tackle the blaze, unhindered.

THE PROOF

Each of these factories had fires which could have been major conflagrations—but Colt Fire Ventilation kept them small.

1956 Avon Diecasting Ltd, *Birmingham*
1957 Hoover Limited, *Alperton*
1958 Goodyear Tyre & Rubber Co. Ltd, *Garscadden*
1958 Hill & Jackson Ltd, *London*
1960 Standard Triumph International, *Coventry*
1961 Humber Ltd, *Ryton-on-Dunsmore*
1962 Massey-Ferguson (UK) Ltd, *Kilmarnock*
1963 Vauxhall Motors Ltd, *Luton*
1963 Standard Factory No. 2, *Cumberland*
1963 British Olivetti Ltd, *Glasgow*
1963 Wiggins Teape Ltd, *Dartford*
1964 Wilkinson Sword Ltd, *Acton*
1964 Berg Fabrics Ltd, *Whitstable*

COLT

fire ventilation

For full details write to
COLT VENTILATION & HEATING LIMITED
SURBITON · SURREY · TEL ELMBRIDGE 6161

SECOND CLASS POSTAGE FOR *THE ECONOMIST* PAID AT NEW YORK, N.Y.
Published weekly every Saturday, fifty-two times a year in London, England.

LETTERS

Forward Sterling

SIR—The article in your issue of July 31st states the case for supporting sterling by forward exchange operations, but it ignores the arguments against it. Some of these arguments were clearly set out in the Treasury's Memorandum to the Radcliffe Committee, which states that "such operations would involve the Exchange Equalisation Account assuming a liability . . . the size of which could not be calculated in advance and which could in theory be without limit. In practice it could . . . reach a figure which might approach the total of the gold and dollar reserves. Such a policy could not be prudently recommended. . . . At times of pressure the published reserves would mean little, since the public would be interested more in the size of the forward commitments." As Sir Leslie Rowan observed in his oral evidence, there would be "a constant question-mark overhanging our published figures."

What matters even more is that the authorities themselves have no idea of the size of the commitments which they may be called upon to meet when the forward contracts mature. They have no means of knowing whether the buyers of the forward dollars they had sold would be in a position to pay for the dollars without having first to buy sterling to that end. Even if the original purchasers were speculators they might have re-sold the dollars to buyers who will be in possession of the sterling counterpart.

The Government is apt to assume that most purchases of forward dollars are speculative and that the transactions would not therefore involve any loss of gold. On that optimistic assumption it would be tempted to defer urgent measures in defence of sterling.—Yours faithfully, PAUL EINZIG
London, EC4

Confessions out of Court?

SIR—Your American correspondent asserts in your issue of July 24th that the battle against crime is "obviously impeded" by Supreme Court decisions giving greater protection to defendants.

He greatly overstates the case: the causal connection between judicial decisions and criminal behaviour is unknown. Until some reliable factual data can be developed to show such a connection, it should be stated as a tentative hypothesis at most. I doubt whether that hypothesis can or will be validated. As President Johnson said on July 26th, in establishing a panel to study crime problems: "There is much we need to know. What are the basic causes of crime and delinquency? How can we increase respect for law and order? What are the optimum methods for preventing crime? As fundamental as these questions are, we have never sought comprehensive nationwide answers."

I realise that many police officials and others agree with your correspondent, but I have yet to see any empirical evidence buttressing a conclusion that the Supreme Court is contributing to crime.—Yours faithfully, ARTHUR S. MILLER
The George Washington University, Washington, DC

Aden and After

SIR—Concerning the suggestion by your correspondent [Letters, July 24th] that the island of Socotra might be usefully developed as a substitute for the Aden base, the following reply from the Minister of Defence to a question on the subject may be of interest:

> The transfer would present severe technical problems. For example, no harbour or sheltered anchorage exists, and weather conditions would make it difficult and expensive to build one. No estimate of the total cost of transfer could be given without a detailed survey; but to create a base of this magnitude, from scratch, on an undeveloped and remote island would certainly cost scores of millions of pounds.

—Yours faithfully, ANTHONY COURTNEY
House of Commons, SW1

Life Assurance

SIR—I have read the insurance supplement published in your issue of July 24th with considerable interest and, in particular, your comments on the table of life assurance comparisons on page 21. You refer to the wide spread between the results of a whole life policy issued by this company in 1925 and a policy issued by another company in the same year.

In 1925 the Provident Life was a specialist company whose policyholders took their policies for the sake of the exceptionally generous deferred house purchase rights which were guaranteed by the Company—even extending to a guarantee that, when granted, the loan would be at a fixed rate of 5 per cent interest. The policies were mostly 30-year endowments, but these rights applied even to the few whole life policies issued. The business was predominantly on a with-profit basis and the company undertook the collection of premiums at the home of the policyholder. All these factors profoundly influenced the terms that could be offered—and rightly so, since the policyholder's hedge against inflation lay in the house he had been enabled to purchase rather than in the investment results of the policy.

Some fifteen years ago the company decided to enter the general market for life assurance, a decision which has resulted in a number of fundamental changes. I would pick out two for reference. First, the company no longer issues policies under which it undertakes the collection of premiums. Second, the deferred house purchase business, though still substantial, is mainly on a non-profit basis and, as a result, now makes a worthwhile contribution to surplus available for distribution as bonuses on with-profit policies. You will no doubt have noted that these changes, although recent, have already influenced the results of the company as shown in the later columns of your table.

I think that these facts are sufficient to underline your own comment that comparisons of results over long periods in the past are, at the very least, an inadequate guide as to future prospects. They may, indeed, be misleading.—Yours faithfully, R. W. J. CRABBE
General Manager,
Provident Life Association of London Ltd.
London, EC2

SIR—In your insurance survey (July 29th) Table VII, which purports to give the rates of growth and the expense ratios of 41 leading companies, is a new departure.

Whether it is correct to relate total expenses to total premiums only, to the total of premiums and investment income, to the total of income and outgo or to total funds is a subject on which opinion can reasonably differ. There can be no question, however, that if we are measuring the cost of running the business we must include the cost of the commission paid to members of the staff and to outside brokers. This you have not done and as a result the table gives a completely false impression of the relative position of the non-commission offices, the Equitable and the London Life *vis-à-vis* the other 39 in regard to economy of management.

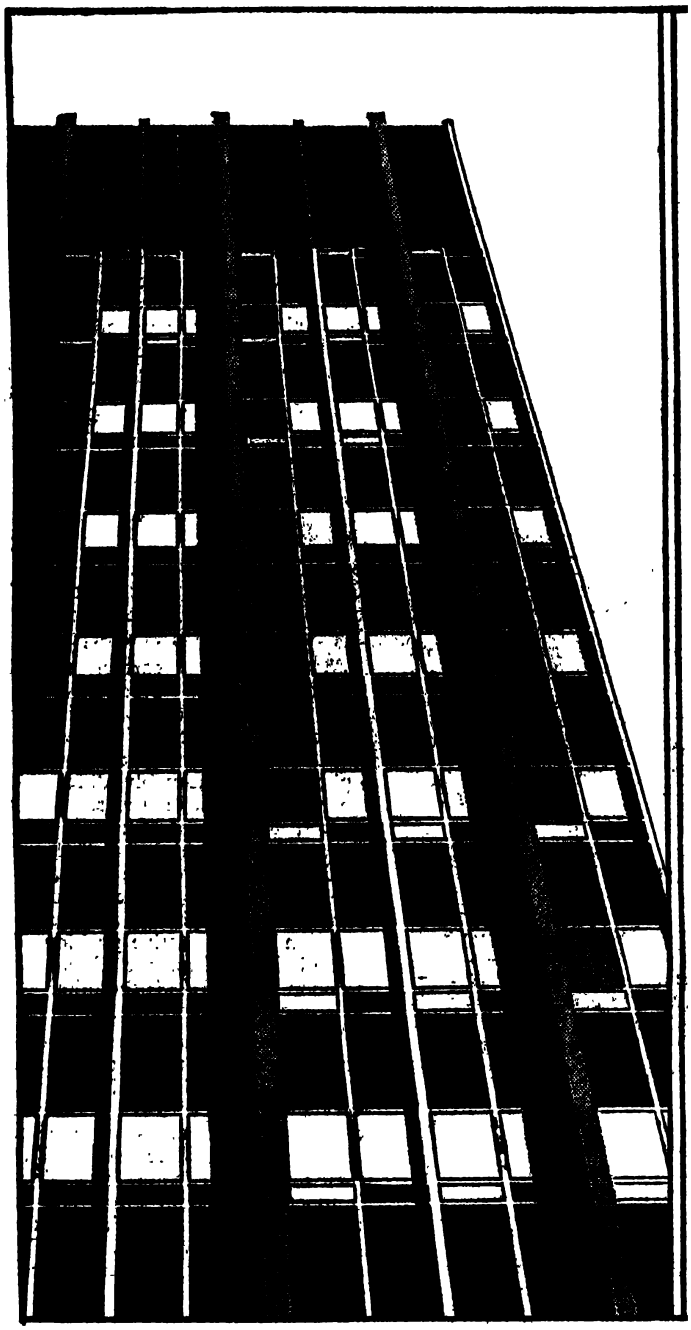
You have included the whole of the cost of the new business of the non-commission offices in calculating their ratios and only a very small part of this for the others. The commission payments of the commission offices these days are one-third or more of their total expenses and for a fair comparison it appears that about 50 per cent would have to be added to your ratios for the 39 companies.—Yours faithfully, F. H. WALES
London, EC4 London Life Association Ltd.

Trading with Cuba

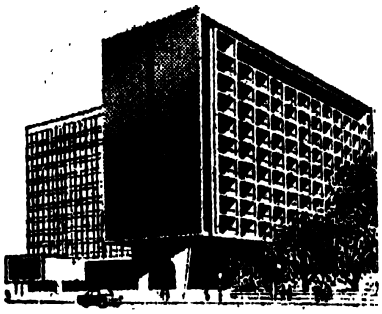
SIR—The following letter, dated June 25, 1965, from the Ford Motor Company Ltd., may be of interest:

> Thank you for your letter . . . concerning the parts you require for your 1957 Zephyr . . . . We are unable to comply with your request due to our company being American-owned and there being . . . a non-Trade Agreement in force at this time between Cuba and the USA . . . . You can no doubt appreciate that we must comply with our company's marketing policy.

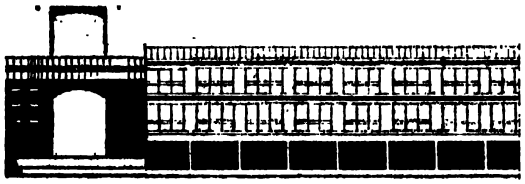
I was of course aware of the "non-Trade Agreement," but I had assumed that a company domiciled in England would be under some obligation to respect British trade policy.—Yours faithfully,
Havana, Cuba MAURICE HALPERIN



Splendid permanence (Left) Stainless steel cladding enhances the imposing design of BP's new London head office. Tapering structural columns will sweep to the top of this 395-ft tower block, wholly clad in single-piece 6-ft wide sheets made available by new steel rolling plant. Stainless steel fabricators: Morris Singer Co. Ltd. Architects: Joseph F. Milton Cashmore and Partners.



Maintenance-free elegance Stainless steel offered one of the most economical means of decoratively facing the dramatic end-wall of Kensington's new Royal Garden Hotel. Vertically troughed cladding is in '18/10/3' quality recommended for corrosive atmospheres. For interior design '18/8' quality is usually suitable. Architects: R. Seifert & Partners. Fabrication: Culford Art Metal Co.



Curtain walling with a bright future—on the 620-ft Post Office Tower, London. Clad in durable stainless steel, factory-assembled window wall units helped to speed erection. Stainless steel requires only occasional washing down. Designed in the Directorate General of Works, Ministry of Public Building and Works. Cladding by Henry Hope & Sons.

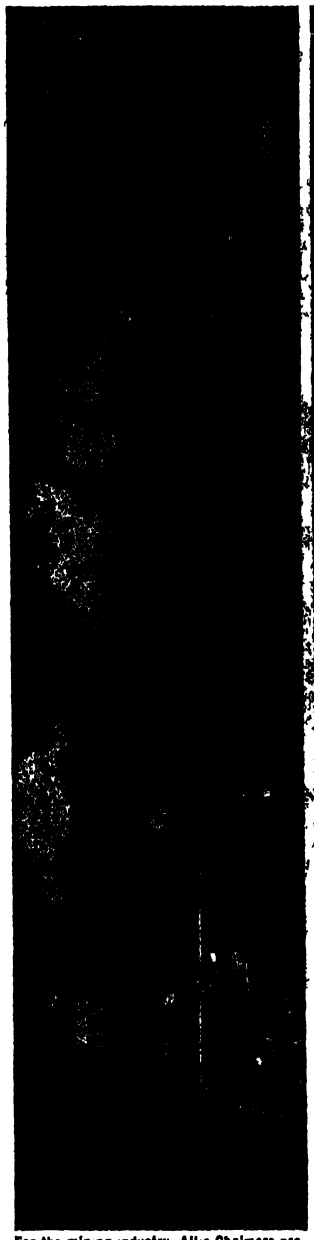
How to build for lasting elegance

Splendid structures to stand the test of time. Bright immaculate designs that will pay permanent tribute to present-day skill. Here stainless steel excels, offering the architect an ideal combination of properties. Superior strength and corrosion-resistance. Endurance that means longer, more economical life. Stainless steel is being used with dramatic effect on the face of more and more modern buildings—and in elegant entrances and interiors. Good design can usefully exploit its precision, its numerous finishes and forms. Practical, unrivalled maintenance-saving performance makes it a wise investment. Economy is further aided by the fast-growing number of standard architectural products in stainless steel. Experienced fabricators can actively assist the designer. Steel producers have invested in new plant to meet growing demand for greater quantities, new forms and dimensions. To create enduring functional designs—look ahead, and make more of stainless steel.

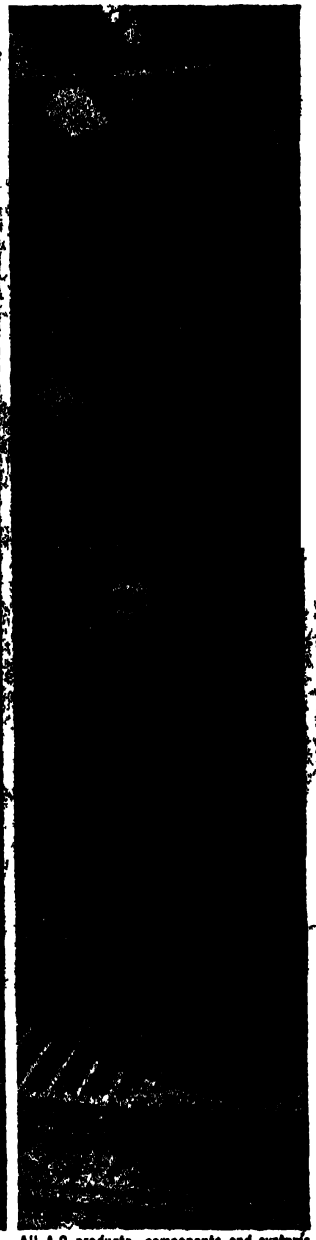
DESIGN IN STAINLESS STEEL

BRITISH IRON AND STEEL FEDERATION
STEEL HOUSE TOTHILL STREET LONDON SW1

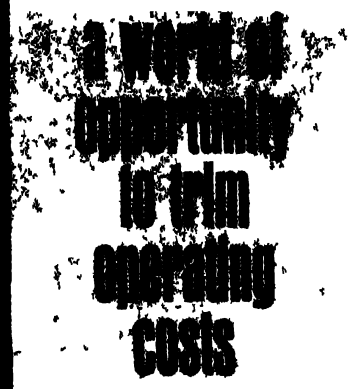
More examples of imaginative design in steel are currently appearing in technical journals



For the mining industry, Allis Chalmers produces crushers with exclusive HYDROSET control that adjust for wear, change product size or clear the crushing chamber without shutting down

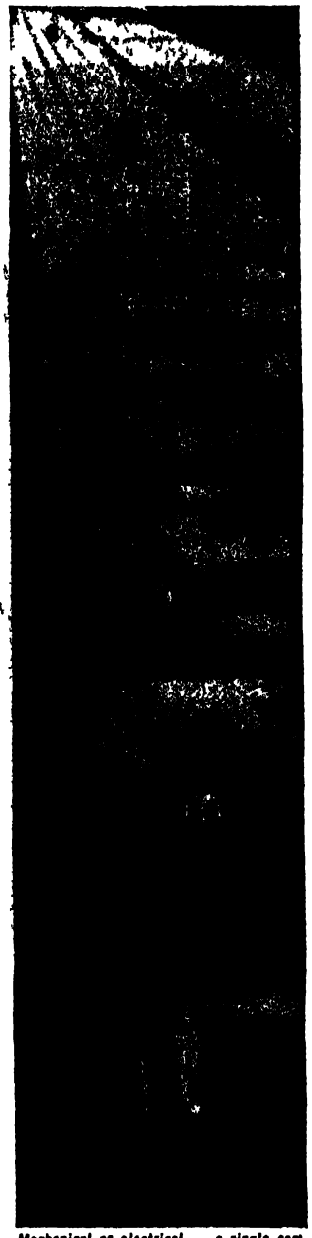


All A C products components and systems are subjected to rigorous testing and analysis such as this pump is undergoing Reliability and economy of operation are substantiated before you re asked to consider them for your operation.



HOW ALLIS-CHALMERS MAKES IT HAPPEN IN INDUSTRY

Men, methods, machines and 117 years experience, these are Allis-Chalmers cost-cutting credentials to industry. Men with the knowledge to research and solve your problems. Methods with a reputation for success Machines to implement these methods. Allis Chalmers alliance with industry has bred an alertness to its changing needs Look to Allis-Chalmers for the skills and equipment to strengthen your competitive position. Allis Chalmers International, Milwaukee, Wisconsin 53201, U S A.



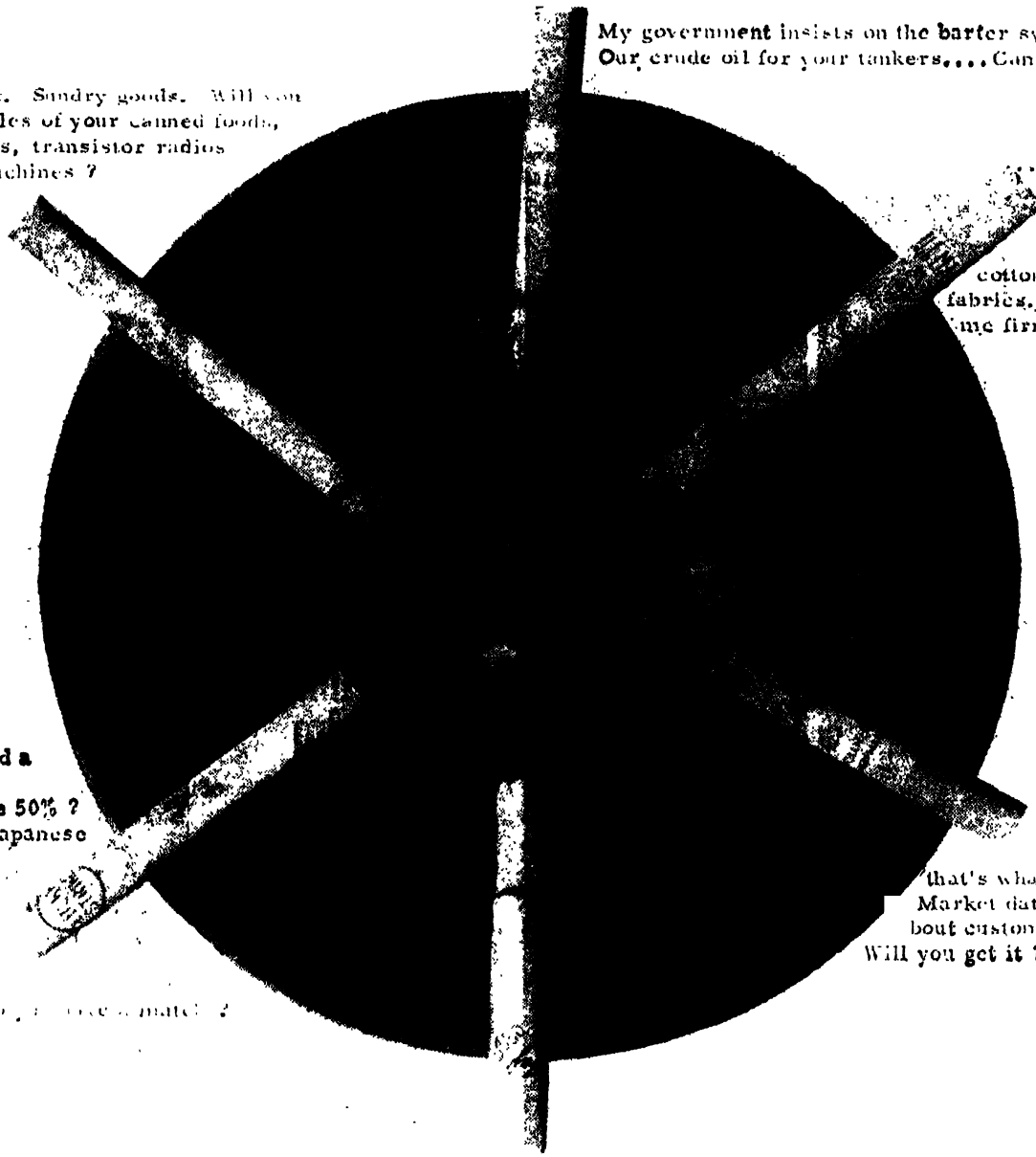
Mechanical or electrical — a single component or entire system — whatever your needs, Allis Chalmers can provide equipment that can help you operate efficiently and economically.

ALLIS-CHALMERS

Hydroset is an Allis Chalmers trademark

A 6572

A LIS CHALMERS INTERNATIONAL PROVIDES SPECIALIZED AND GENERAL EQUIPMENT TO BASIC INDUSTRIES AND GOVERNMENTS THROUGHOUT THE WOR D



My government insists on the barter system. Our crude oil for your tankers.... Can you do it ?

...that's right. Sundry goods. Will you send me samples of your canned foods, chemical shoes, transistor radios and sewing machines ?

...Around three million yards a month... mostly silk, cotton and synthetic fabrics. Can you give me firm offers ?

We want to build a steel factory. Can you finance 50% ? Can you send Japanese technicians to manage it ?

Information, that's what I need first. Market data. And what bout customs and taxes ? Will you get it ?

By the way, do you [illegible] ?

YES.

C. Itoh can do it. The range of our services and capabilities would astound you. We have a staff of 7,500 experts in 80 branches and affiliates throughout the world. As one of Japan's largest and most experienced trading companies, we can offer you fast efficient service in any aspect of import, export, triangular trade and joint investment ventures. Why not let your nearby C. Itoh man give you his expert help ? You'll find one in every major city of the world.

International Traders / General Importers and Exporters / Business Consultants

CI

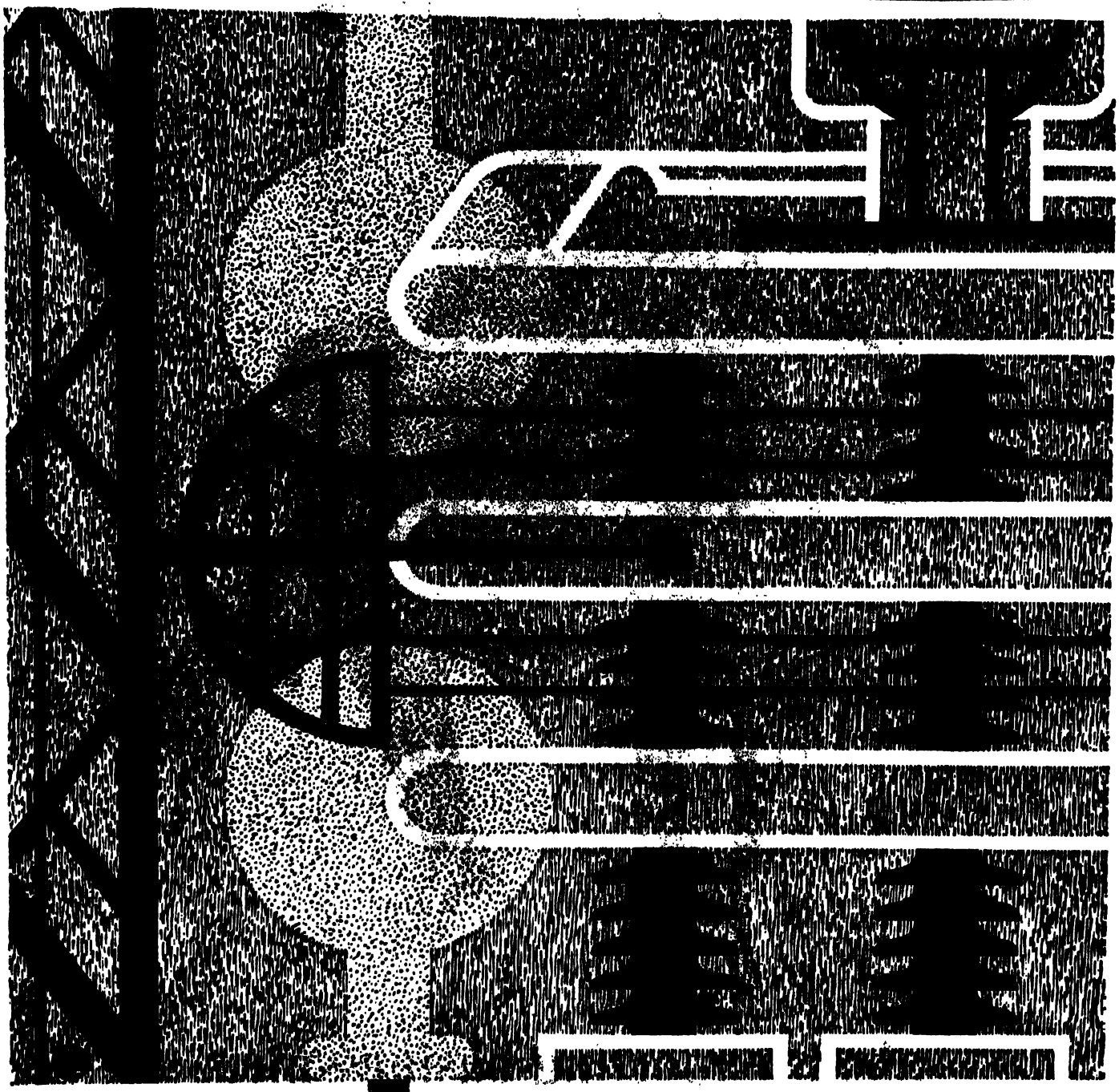
C. ITOH & CO., LTD.

(ITOCHU SHOJI KAISHA, LTD.)

LONDON BRANCH. Kempson House, Camomile St., London, E. C. 3, England Cable: "ITOHCHU LONDON EC3"
HEAD OFFICE: C. P. O. Box 117, Osaka, Japan **TOKYO OFFICE.** C. P. O. Box [illegible], Tokyo, Japan

Offices in Europe: London, Paris, Hamburg, Düsseldorf, Amsterdam, Milano, Madrid, Beograd. **Offices in other continents.** New York, Los Angeles, Montreal, Mexico City, São Paulo, Buenos Aires, Johannesburg, Beyrouth, Teheran, New Delhi, Bangkok, Singapore, Djakarta, Hongkong, Sydney and other main cities.

Elektrotechnik



The Electrical Engineering Industry of the German Democratic Republic is also represented at the Leipzig Autumn Fair held between 5th and 12th September 1965.

Its exhibition will be grouped in the following three centres:

The Leipzig Branch of ELEKTROTECHNIK,
701 Leipzig,
Gottschedstrasse 1.

Städtisches Kaufhaus, fair building.

Bugra-Haus, fair building.

Technical and business experts on the stands will be glad to offer detailed information.

Leipzig - the centre of world-wide trade - awaits you.

Deutscher Innen- und Aussenhandel
ELEKTROTECHNIK
104 Berlin - Chausseestrasse 111/112
German Democratic Republic.

BOAC cares...

about exporting businessmen

Businessmen don't buy shares in BOAC. They buy tickets. And every ticket bought is a wise investment.

Take new business for example.

And the case of Leonard Thompson.

As Sales Manager of Dunlop Footwear Ltd., he is continually broadening his company's horizons. Any chance of orders anywhere in the world, and he'll go after them.

With vital export contracts at stake, he can't afford too many time-wasting stopovers or changes of plane. Leonard Thompson is a very busy business man.

A conscientious one, too.

His company gets mad if they're not ahead of their competitors. Whether the destination is Teheran, Toronto or Trinidad, they want to get there directly and quickly.

Dunlop Footwear are also on the ball when it comes to after-sales service. Realising that there is more to BOAC than just passenger flights, they often use its Air Cargo service to follow-up sales with speedy, efficient deliveries.

Dunlop Footwear sales staff have flown to every country served by BOAC. They know BOAC cares about exporting businessmen. They have a super sales graph to prove it.

BOAC TAKES GOOD CARE OF YOU

BRITISH OVERSEAS AIRWAYS CORPORATION

The Economist

AUGUST 7, 1965

Mr Micawber's Difficulties 503
Docks: Now Who Runs the Country? 504
Black Paper 506
Grabbing Cairo's Olive Twig 507

COMMENTARY 508
Britain's Defence; Cyprus; Parliament; Trade Disputes; Vietnam; Police; Non-Pensioners; Europe; America and Pakistan.

THE WORLD
INTERNATIONAL REPORT
The leap comes limping back 513
Greece; Changing Marxism; British Aid; Venezuela; Japan; Afghanistan; Nigeria; Bhutan; Pakistan.
AMERICAN SURVEY
Decay at the Democratic Roots 525
War as Usual; Striking at the Economy; Luxuriously to Work; Heads of States; Still Wrestling with Abundance; To Enable Negroes to Vote; Union Pure; Constitutional Spanner.

BRITAIN
Mr Peart's Shiny Package 530
Public Schools; Trades Union Congress; Sums About Schools.

BOOKS
A Synthesis of Economics 533
LETTERS 497

SOUTHERN AFRICA SURVEY
after page 534

BUSINESS BRIEF:
The Six Moving Back into Step? 536

BUSINESS
Sterling's Longest Year 539
Figuring it out 540
Viewed from Washington 541
Monopoly in Petrol 542
BRITAIN 544
Airports; Synthetic Rubber; Banking Links; Motor Racing; Drugs; Local Authority Borrowing; Consumers; Property; Management.
INTERNATIONAL 548
French Plan; China's Gold Purchases; Accord in Algeria; Pipeline Finance; Volkswagen Cars; French Tyre Companies; Restrictive Practices; Tobacco.
INVESTMENT 555
The City in August; British Printing Corporation; Harveys of Bristol/Showerings; Sperry Rand; Times 300 Companies; Fuel Distribution.

Stock Prices and Yields 573

Annual Postal Subscription by ordinary mail UK £6; overseas £6 10s.; by air, see page 565.
VOLUME CCXVI - NUMBER 6363

Mr Micawber's Difficulties

So after nine months of dynamic socialism, Mr Micawber is left stranded on the sands of Scilly, waiting for something to turn up. The Prime Minister has had his chances. An election in March certainly or even in June, fought against Sir Alec Douglas-Home, could have put him back with a majority big enough to sweat through a score of Warbeys or Pagets for four or five years. Now Labour ministers are trying to sound realistic as they talk of no election before the spring of 1967. All Mr Wilson can do is hope: that he still has friends in Washington, if precious few on the Continent; that the City will stop talking sterling down; that the foreigners will stop reading ministers' speeches that declare the squeeze is really no squeeze; that the British electors will grow to like the hairshirt (which will be pretty uncomfortable by mid-February); and that Mrs Micawber will not get the death wish.

If the state of sterling is nothing much to write home about a week after Mr Callaghan's last mini-budget (see page 539) the fault lies not with the measures themselves, which in ordinary times would have been more than enough to do the trick, but with the Government's butterfingery way of doing things. Mr Callaghan announced his squeeze without giving even an estimate of the heavy loss to the reserves which prompted it, although everyone suspected the loss had been heavy. So doubts built up until the routine figures were published on Monday. These proved serious enough (without allowing for further official fudging) to start more fears that sterner measures would shortly have to be on the way. It reads like a potted version of the bad thriller that Mr Wilson has been running since last November. There has been appalling luck as well as appalling judgment in it all, but when confidence starts to go down the drain no rumour and no expedient begins to sound impossible.

Only in his marital relations with the Labour party can Mr Wilson claim real success from the last parliamentary stint before the recess, and even here he is still shirking the problem of plugging the gaps on his front bench. The men ripe for the chop have been obvious for weeks: Mr Cousins, an un-minister of a non-ministry; Sir Frank Soskice, an ailing Home Secretary crushed by a diffuse and unhelpful department (and now caught in the racist trap described on page 506); Mr Jay, an unimaginative President of the Board of Trade; Mr Bottomley, an embarrassing link with the Commonwealth; and Mr Benn, a Postmaster-General who has managed to wreck his own government's incomes policy and give his customers higher prices and lower efficiency. Stern men would also throw in Lord Longford (but who could lead the House of Lords any better?), Mr Griffiths (but what harm does he do?) and those ineffable refugees from the campus, Lords Snow and Bowden. Even if Mr Wilson were to sweep away the lot (and if he has the guts to axe Mr Cousins and Mr Benn he is a better man than we take him for), the surprising thing about this list of failures is that it is so short. A party out of office for 13 years might well have thrown up many more misfits. Instead, the Foreign Office and the Ministry of Defence are in good hands, and if Mr Callaghan at the Treasury can be faulted, no one should underestimate both the pressure he has been under as the Government's No. 1 fall guy, and the extent to which he has matured, especially in the Commons. As for Mr Brown, the arguments for getting rid of him need no repetition, but he remains essential in keeping the word expansion somewhere in Labour's vocabulary. The general standard of departmental ministers has

Mrs M: *Mr Micawber may have concealed his difficulties from me but his sanguine temper may have led him to expect that he would overcome them. The pearl necklace and bracelets which I inherited from mama have been disposed of for less than half their value. But I never will desert Mr Micawber. No! I never will do it!*

—DAVID COPPERFIELD

been surprisingly high. Mr Peart is now being sensible about the farmers (see page 530) and Mr Gunter is shaping up to be equally realistic with the dockers (see below), just as Mr Crosland has tried to be with the teachers.

Why, then, has the Wilson government, after only nine months, landed itself as well as the country uncomfortably close to Carey Street? To use the Tories as scapegoats is not good enough. The only possible answer seems to be: Mr Wilson himself. Instead of being a one-man band, Labour has produced an unexpectedly good crop of instrumentalists, but under a conductor who too often has the breadth of vision of a first bassoon.

Mr Heath was right to aim his censure on Monday at the Prime Minister personally. The trouble was that this involved fighting Mr Wilson on his favourite ground, and actually helped him to rally Labour behind him. But the exercise was worth while. If Mr Wilson has sent off Labour MPs in reasonably good heart, the party conference still looms ahead. If Mr Heath's own speech was uninspiring, its content signalled the arrival of an alternative prime minister relevant to the times. Nor did he fail to show the faithful a smudge of blood. Mr Wilson's last minute gimmick, accompanied by some ham acting which would have made Beerbohm Tree blush, was pretty silly—and, except through the Gannex-bemused spectacles of *The Times*, there were bruises on both sides. That Mr Heath's speech would be disappointing was probably predictable; so perhaps was Mr Maudling's cheerful and effective pugnacity. In Mr Heath the Tories may not have got a Rupert of debate, but who dares imagine how Sir Alec would have fared in the rough stuff?

On the long view, a more crucial test for Mr Heath has been the reshuffling of the shadow cabinet. Some of his young Turks will be sorry that he has bowed to the needs of unity and stuck to the same 21 men as Sir Alec, and they will not be alone in praying that among other changes when Mr Heath comes to form a real cabinet, Lord Dilhorne will not be his Lord Chancellor. But the changes in the top jobs are obviously sensible: Mr Macleod has something of the first importance to get his sharp little teeth into, Sir Alec has a decent role without hogging too much of foreign affairs, and Mr Maudling, as official No. 2, will presumably be able to let fly whenever a sufficiently tempting target pops up over the Government parapet.

But the most significant move could be Mr Enoch Powell to defence. Mr Heath must know that Mr Powell has harshly realistic views about Britain's role overseas, and this may be a sign that the Government could find itself outflanked in the defence cuts business. Mr Heath's other intriguing decision is to chop up his shadow cabinet into three sub-groups. This may be no more than a reflection of a real cabinet's committee system, but it could be a sign that he is preparing for a smaller, more streamlined cabinet.

Either way, the Tories now look in much better shape to take over. They, at least, must be hoping that in a month or two's time, as the beaches thin out, Mr Wilson will remember some other words of Mrs Micawber:

My family are of opinion that Mr Micawber should quit London, and exert his talents in the country.

Docks: Now Who Runs the Country?

Lord Devlin's inquiry into the docks has provided a true test of whether Britain can change as it should—and a challenge to the Government to prove that it can

LORD DEVLIN has an appalling story to tell, and he tells it appallingly well. The docks are a national disgrace, and one that cannot be hidden. The mouths of the country's great rivers display, in summary form, all those traits of which Britain is so rightly unproud—Victorian legacy, blundering management, bolshie workers, restrictive practices, outdated trade unions. Name it, they have it. The economic effects of disruption and incompetence in the ports are direct, in that they hamper the flow of trade upon which Britain totally relies; and indirect, in that they discourage everyone who has to put anything through a British port—which most notably includes the people to whom Britain should be selling more than it does.

One of the first things that the new Government did when

it came to power was to appoint the Devlin committee. Lord Devlin has now reported (Cmnd 2734) on the most radical of all the troubles of the docks—the men who work in them, and their conditions of employment. The committee's first act was, in an interim report, to make a recommendation on the dockers' wage claim which perpetrated all the usual (and manifold) inflationary errors that arbitrators are apt to perpetrate. Maybe its error bought it goodwill. In any case, Devlin has now put itself back on the side of the angels.

The report makes a series of clear recommendations for action by everyone connected with dock labour; and it enjoins the Government to have ready its plans for doing what needs to be done in the event (it seems a quite likely event) of the responsible bodies turning out to be unwilling or unable to swallow the nasty but necessary medicine they are offered. The ball is squarely in the Minister of Labour's court. Mr Gunter, himself a trade union leader who has no special sympathy for employers, has also a healthy and vocally expressed contempt for incompetence in union affairs. If he cannot succeed in the task that the Devlin report sets before him, the Government might as well pack up.

For the Devlin report makes no startling discoveries, and discloses no startling facts. It is all dreadfully familiar. Indeed the principal recommendation is, quite simply, that a scheme propounded in October, 1961 (the so-called Crichton-Cousins declaration) should be reformulated. The object of this scheme was to ensure that port workers and port employers be put in a permanent and responsible relationship to each other. Despite the blessing that it received from its authors, the then leaders of the two sides in the employer-employee relationship, it has sunk into a morass of committees and memoranda and inaction. Devlin is clearly right. This way lies the solution (although it is hard to follow Devlin's reasons for believing that the Dock Labour Scheme, which interposes a syndicalist body between employers and employees, would continue to be needed if they were in a permanent, rather than a casual, relationship). But neither party to the negotiations that are necessary if decasualisation is to be pushed through is competent to do the pushing. So they must be pushed until they become competent.

In most of the nation's dock systems history has left in its wake a plethora of little firms, too small to be efficient, too poor not to be slack in discipline in short-term acceptance of restrictive practices, and grasping on long-term improvements in working conditions. Such employers must be eliminated. The Rochdale inquiry into the physical structure of the ports, back in 1962, recommended that port employers should be licensed to operate only if they were of a size to operate efficiently. Such a licensing system is what Devlin says that Mr Gunter should set up now. It is a case for mercy-killing.

The main trade union in the ports, however, suffers from another problem: it is overweight. The Transport and General Workers Union is vast. Its incompetence in the docks is revealed not only by the incidence of unofficial strikes, and by the success of a few piffling agitators, but by the fact that the tiny, officially disregarded stevedores and dockers union (the Blue union) holds 25 per cent of the dockers in London, and 12 per cent in Liverpool. In both those ports maybe a third of the workers do not bother to pay dues to any union at all. The Devlin report argues that the transport union leaders have simply given up on the docks. The union's written evidence to the committee's main inquiry "was a letter covering half a sheet of foolscap together with reproductions of a few earlier documents." Devlin does not accept the pious platitudes about responsible trade unionism: "A trade union leader is not a policeman who can be called in by the employers to enforce the law." But, as the report says, if responsible trade unionism is to be restored in the docks, "the direction of the campaign must be in the hands of the union's senior officers." At last, a job for Mr Cousins, that most senior officer?

But it is not the detail of the report, however sharp the diagnosis and however convincing (or otherwise) the remedies, that makes the publication of these recommendations such a very important event now. The docks are a symptomatic scandal. The way in which labour is employed there is the direct cause of the specific malpractices that take place in the docks. Very probably the notorious strikes, official and unofficial, which bedevil the ports are the least of the ill consequences to which this system gives rise. Devlin describes the working of certain ships in London, the fiddles and rackets that have become customs, connived at by both sides.

But there are very good reasons for believing that these are merely extreme and conspicuous examples of something that occurs far and wide in British industry. And the docks are symptomatic in another way. They represent an enormous historical investment. Through mechanisation, productivity has doubled in fifteen years. The docks are now—according to last week's report of the National Ports Council—to receive a vast new wave of modern investment, in the form of new berths, whole new dock systems, of the kind that the nation needs throughout industry. But if these new investments are to be sunk in assets that can be utilised only in a way bound up with pernicious traditions and bad old habits, they might as well not have been made. Nobody would think of operating a steelworks for one shift a day, five days a week, with overtime on weekends if the men feel like working overtime. Why on earth should it be accepted that ports should be worked like that? The Port of London, with all its ships locked up, is worth several steelworks. Like any chunk of capital equipment, it cannot be efficiently worked until its labour relations are right.

So the reactions of Mr Gunter to Devlin can fairly be taken as a measure of how far government—any government—can go to improve efficiency at the key points of British industry. Nobody could doubt that Mr Gunter will try his damnedest, however polite his words in the Commons on Thursday. It is not a matter of nationalisation, or of the virtues of free enterprise (look where that has got everyone in the docks) or of any other doctrine. It is a matter of sheer, nasty decisions, which must make the man who takes them unpopular with a whole raft of people who may now think he is quite a decent chap. It is going to be an autumn to watch in the docks.

Appointments, Business and Personal notices, and other Classified Advertisements: pages 565, 566, 567 and 568

Black Paper

The Government has pinched the Tories' policy on immigration. Its measures put a strain on liberal consciences—and will do so on the economy

THE Government believes that there are enough coloured people in a few towns in Britain to set off real racial hatred. Its new policy (Cmnd 2739) is bipartisan: which means that Labour has pinched the Tories' white trousers. To announce it the Government put up their most bipartisan front-bencher, Mr Herbert Bowden. Because he was Labour's chief whip for nine years he never made speeches in the Commons: he is therefore the one person on the Labour benches who could eat his party's liberal words without also eating his own.

Only 7,500 entry permits will be issued each year to professional and skilled workers from the Commonwealth. All the rest will be barred, even (although this is just incompetence in drafting) Commonwealth recruits for the British army. Meanwhile immigration from Lord Mountbatten's wartime base of Malta, in special economic trouble, will be increased to 1,000 a year. Probably fewer than 7,500 Commonwealth citizens will actually arrive. Last year 20,824 vouchers were issued—the figures that the Government had been making play with this week—but only 14,700 Commonwealth workers turned up. So this is a drastic and libellous declaration of how much British people fear black people. Presumably foreign workers will continue to be allowed in at around last year's flow of 42,500, and the net increase of Irish residents in Britain—which was last year, at some 30,000, almost half the net increase of residents from the entire Commonwealth—will go on. But then Europeans are Europeans.

One proposal is utterly intolerable. It is that *habeas corpus* should be denied to Commonwealth citizens who have lawfully spent fewer than six months, or who have unlawfully spent up to five years, in Britain. These people could be deported—by the Home Secretary, with no recourse to the courts. Sir Frank Soskice, the present Home Secretary, is the son of a foreign politician who sought refuge in Britain. He can surely not want to put the responsibility for deciding who is sent back home into any politician's hands. His predecessor, Mr Henry Brooke, who had some trouble with a certain Chief Enahoro, could remind him of the odium this attracts. No doubt Parliament will refuse to pass any bill containing such a provision.

It also seems that the Government is frightened because a certain number of students have in fact been taking jobs in Britain (although one guesses that the number is smaller than that of the alleged *au pair* girls who also indulge in illicit work). Now, it seems, those who do not pursue their studies will be shipped off home. High Commissioners of Commonwealth countries will be asked about their students' good faith. There is more than one Commonwealth country whose government is not a suitable censor of its young people's opinions.

Heads of families will be allowed to bring in wives and other dependants, provided those dependants are not over 16. This provision will be just bearable, if exceptions are freely made for children who may have been kept in their native country past the age of 16 in order, for example, to go on with their education. Dependants will also, rightly, be exempted from the health regulations that will be introduced to prevent sick people from arriving in Britain.

Having thus won the approval of Sir Cyril Osborne, and pulled the rug from under the Brummagem Conservatives, the Government declares that it will do its best by the 850,000-odd coloured people already here. The Race Relations Bill and the Department of Education's sensible and moderate recommendations about schools are a start. But the white paper proposes nothing more. There is to be no special help for immigrants' housing. The only special finance for local authorities with racial problems will go to hire a few more social workers. If race relations are really so grave as to justify this week's panic measures (*The Economist* does not believe that they are) surely something more should have been done to improve them ?

NOW it is the British economy that must take most of the strain. Some informed guesses have indicated that the shortfall in the labour force will be as much as 300,000 by 1970. It had been assumed that Commonwealth countries would make up part of the short-fall, helping British industry on its way to the sort of economic growth that migrants have pushed ahead in western Europe. Probably the supply of willing labour from the Mediterranean coast, or from Asia Minor, has already been pre-empted by other countries, even if it were tolerable to suggest that whitish workers should be allowed to come to Britain because brownish ones are not.

It is true that Britain uses labour very inefficiently. But this is irrelevant to the argument about Commonwealth immigrants. Even if 100,000 workers a year were still coming in from the Commonwealth, the important economic point about them would be their mobility, their readiness to move to areas where labour is needed, rather than their crude numerical impact on an under-used existing labour force of 21 million people. This very mobility into areas and occupations where British people are unwilling to go is what has led to their geographical and occupational concentration (shift-work in textiles in Bradford, rubber near Southall; public transport and hospitals in most big cities). The resulting geographical concentration in housing that white people do not want to occupy, and would refuse to occupy so intensively, is what has led the Government to cry enough.

The consequence is that the British will now have to move about more and work a lot harder: and that includes management as well, who will have to get more out of their machines with less freely available labour—or go bust. This would be good. But if it is to happen the Government will have to do a lot more for the domestic economy than it proposes to do for the immigrant community. The need for wage-related unemployment benefit, industrial retraining, education, investment allowances, the lot is more urgent than ever. But was the need not great enough already, without adding measures that make a non-racial Commonwealth seem even more of a mockery than it did ? Even the Australian Labour party has now ended its opposition to coloured immigrants there.

Grabbing Cairo's Olive Twig

If Britain is to disentangle from South Arabia it needs Egypt's help

TWO small flags can flutteringly be raised to show progress in Britain's laborious trek out of South Arabia. The right people have come to London to talk about the right things; Cairo's press and radio is not calling them treacherous stooges for doing so. At Mr Greenwood's express and personally delivered invitation, Adeni and South Arabian federal leaders are trying to work out an agenda for a constitutional conference at the end of the year. And, seemingly at the twelfth hour, Egypt decided to let them go in peace: a routine denunciation of the London meeting appeared only in the rather dimmer Cairo papers that somehow missed out on the change in direction. Agreed that Britain need not gush its gratitude to Cairo for suspending part of a bully-boy propaganda campaign (and reports on Wednesday of terrorist incidents in Aden show that it is only the propaganda that can easily be switched on and off); all the same, the gesture is probably about as generous a one as Egypt can make at the present time. It will be a muffed chance if the British government does not respond.

The problems facing the South Arabian working party are as tough as they ever were. Mr Greenwood's formula of a unitary state, which at the beginning of the year had a good deal of support, is slipping out of favour as people begin to realise what it might mean for them. The conundrum of how to merge Aden and the federation makes the most robust negotiator feel rather pale. The position of the three eastern protectorates (one of which is unrepresented at this meeting) is still unsettled: because the eastern states are relatively more advanced and in touch with modern times than their western neighbours they form something of a bridge between Aden's politicians and the more deep-dyed feudal sheikhs. The point is that if Cairo decides to stop whipping up the terrorists, Adeni and federal leaders have a better chance of sorting out their troubles without their shoulders twitching at the thought of some carefully slung grenade.

Caught between British indecision and the terrorist campaign of the National Liberation Front, Adenis have held tight to the lifeline of the United Nations resolution on Aden in 1963. This resolution proposed, among other things, self-determination and elections to be supervised by a UN presence. Federal leaders have given the resolution reluctant lip service; every now and then one or other of them decides that his chances of survival are greater if he opts outright for Cairo and "nationalism." Now there are hints that the middle path is less gummed up than it was. Before coming to London, Mr Abdullah Asnag, the leader of the Aden People's party (which recently merged with another group to form the fiery-sounding Organisation for the Liberation of the Occupied South), was given radio time in Cairo: this marked a definite break with Egypt's earlier policy of acknowledging the National Liberation Front alone as the authentic voice of South Arabia.

If Britain has really accepted disengagement from the South Arabian federation as a desirable aim (and despite the humming and hawing that still goes on this does seem to be so), it is of first importance that Egypt should disengage too. Egyptians would argue that since they are all Arabs the comparison with Britain does not apply: in fact, Egyptian support for a moderate Adeni nationalist, such as Mr Asnag, rather than for a terrorist group would be disengagement enough. The fear is that, Anglo-Egyptian relations being what they are, people in Britain may pounce gleefully on the evidence of Egypt's own weakness. And from here the trails lead to a facet of British Middle East policy that has been constantly discredited but never discarded: the tendency to take sides with any Arab country that looks like standing up to Egypt. Once, in a forthright way, it was Iraq; now, in a much more subdued manner, it is Saudi Arabia.

CERTAINLY Egypt is in a sad mess in Yemen. Beside it, Britain's troubles in the federation look nursery stuff. Militarily things are going against the Egyptians, who have had to withdraw their troops from large royalist-dominated areas; politically they are even worse. The Egyptians say they would like to quit; their trouble is that they want to quit on their own terms, and as more and more of their republican protégés turn against them, this becomes increasingly difficult. Britain might have advice to offer but President Nasser would never accept that he had anything to learn from that old colonialist. So the war is on, with thunder against Saudi Arabia (without whose arms and money the royalist Yemenis would never have stuck together), which looks at the moment like developing into land and air fighting across the disputed Saudi-Yemeni frontier.

Elsewhere in the Arab world, Egyptian stock is pitched low. This is partly because of the misadventures in Yemen; partly because President Nasser has knocked aside his own pedestal by detailing what cannot, at present, be done against Israel. The Syrians, among others, have implied that weak knees over Israel is the price Egypt is paying for American wheat. Some of this charge has stuck: it has also provoked Nasser into defending himself in a way that may, at least, delay the wheat supplies.

Egypt is in bad trouble in Yemen: its banner elsewhere is flying low. What of Saudi Arabia? King Faisal's position towards Egypt is straightforward: in an unadmitted Saudi version of the Monroe Doctrine, he wants Egypt out of the Arabian peninsula—which he considers Saudi Arabia's own preserve. But is it as simple as this? Since Saudi Arabia stopped wrangling with Britain over disputed bits of territory, there has been a tendency in London to point hopefully to King Faisal as the white hope of a blackish peninsula. "Look at all the reforms he has carried out" may be a sidestepping British way of wondering whether, after all, we might not be able to slip some of those cranky little gulf sheikhdoms (the ones without oil anyhow) into the Saudi fold.

So we might, one day. But to back Saudi Arabia in the tacit hope that it might "protect" the area from Egyptian

infringement is to plod over old ground, and old mistakes. Militarily, Saudi Arabia is still a non-starter; politically, it is still feudal despite its new economic reforms. For sanity's sake, let Britain keep out of the Saudi-Egyptian quarrel, while hoping they can strike a peaceful balance. But, while hoping this, London should take the risk of grabbing at that meagre little olive twig that Cairo seems to be holding out this way. For whatever happens later on, it is still primarily Egypt that Britain must settle with if disentanglement from South Arabia is to be either graceful or honest.

COMMENTARY

BRITAIN'S DEFENCE

Six Per Cent

MR HEALEY was entitled to his breather with the press at the Ministry of Defence on Wednesday. By rationalisation and streamlining of programmes, he has already arranged cuts in Britain's defence spending that will total £220 million. This means that he is halfway to his goal of keeping the 1969-70 defence budget down to £2,000 million at 1964 prices. Other possible economies can be detected. For instance, the round figure of 300 Phantom aircraft to be bought from the Americans has been reached by adding together the separate shopping lists of the Navy and the Royal Air Force. But planners in the Ministry of Defence have other ideas. If the two services are using the same aircraft, the argument goes, then it ought to be a joint-service aircraft with a joint-service crew—something on the lines of a pool of Phantoms-plus-crew on which the Navy and the RAF could draw according to need, thus cutting the total requirement. Even if the services would not wear this good idea, the Navy's share of Phantom could be cut quite drastically for another reason—the British commitment to share development of a variable-sweep, carrier-borne aircraft designed in France; if Britain builds this neat and deadly little weapon, the Navy will have room for proportionately fewer Phantoms.

On top of cuts like this, some reduction in the work demanded of the British forces throughout the world will doubtless be required. But, on the face of it, it does not look as if it is going to be necessary to cut any major overseas commitment; it ought to be possible to reach Mr Healey's target without any major cuts in Malaysia or west Germany. If Mr Healey thus succeeds in relatively painlessly achieving his total cut of £400 million by 1970 (which is only a cut compared with what defence expenditure would otherwise have risen to) then the defence budget will have been reduced from seven to six per cent of the gross national product. Six per cent is a reasonable enough burden for a medium-sized country in a still volatile and dangerous world; it is what Germany and France both bear. For the first time since the war a rationally planned structure seems to be emerging for British defence.

CYPRUS

No Scrap of Paper

FOR once it is possible to say something quite definite about Cyprus. On July 23rd the Cypriot government introduced a new electoral law which abolishes the provisions in the constitution for separate Turkish representation in parliament that were accepted by the Greek Cypriots when they signed the Zürich agreements in 1960. The Turkish government was moved to appeal to the Security Council and on Tuesday the council met to consider both the Turkish complaint and a Cypriot counter-complaint alleging Turkish interference in the internal affairs of the island.

It is widely recognised that the Zürich settlement has proved unworkable. But that does not give any of the signatories the right to treat it as if it were a scrap of paper. Repeated declarations by the Greek Cypriots that they regard the 1960 treaty as invalid are beside the point. So are claims that the treaty no longer corresponds to reality. The Greek Cypriots have no monopoly of reality and it is equally realistic to point out that if they persist in their present course the Turks, in Ankara as well as in Cyprus, will not accept it calmly.

As it is, the new electoral law is hastening the de facto partition of the island—which the Greek Cypriots are bitterly opposed to—by provoking the Turkish Cypriots into promulgating their own laws in their own "parliament." Do the Greeks really mean to cut off their noses to spite their faces? Fortunately the Cyprus government has been sensible enough to postpone elections for a year. There is time for second thoughts in Nicosia—but no time to lose before the Greek Cypriots let it be known that they fully accept the necessity of re-negotiating the 1960 settlement by agreement with the Turks.

PARLIAMENT

Session's Scorecard

MEMBERS of Parliament have been gasping for the holiday which began on Thursday evening and continues until the Commons return for the last few days of the session on October 26th. The Prime Minister's parentheses have become so long and evasive that one despairs of ever reaching a main clause, and the Opposition front bench have lately been repetitive rather than constructive. Backbenchers have been showing more energy but (with a few blessed exceptions) to equally little purpose, although there have been fewer bogus points of order than there were at the beginning of the session. This is perhaps a sign that Conservative backbenchers, who are inclined to think that whatever goes against their party must be out of order, are having more of their own way.

What has been the result of the session so far in actual legislation? Mr Wilson has claimed a total of 65 government bills through the Commons, but five of these, including rent and race relations, will not get on the statute book until October. This total includes a large number of consolidation measures, as is usual for the first session of a new government. Among the other bills passed, however, are only four of primary importance, the two Finance Bills, the Redundancy Payments Bill and the Law Commissions Bill. The Steel and Land bills have not seen the light of day nor have several lesser proposals in the Queen's speech such as the institution of an Ombudsman and the measure to make companies reveal their political contributions. Mr Wilson can say with truth that he will have got through more bills this session than the Tories did in the last; but he has not achieved anything like what he said he would last November.

One of the latest consolidation bills, the National Insurance Bill, embodies statutory instruments which have not previously been made into statute law. As Mr Page, the member for Crosby, pointed out last Monday, the clauses which contain them will never be discussed by the House since it is not in order to debate the merits or demerits of consolidation bills. Since in future these bills will be drafted by the Law Commissioners rather than as at present by the parliamentary draftsmen, they are likely to contain more new statute law. Indeed this was precisely the main objection which the Conservatives brought against the Law Commissions Bill. It will be no bad thing if the commissioners do propose some minor legislation by this means; but Parliament must be allowed to discuss what they have proposed. Mr Wilson may reflect that if that had been allowed in this session his score would have been lower still.

TRADE DISPUTES

Biting the Bullet

THE House of Lords on Monday swallowed its pride by accepting the Commons' reasons for reversing what is understood to be the meaning of the courts' decision in the famous case of *Rookes versus Barnard*. To oversimplify: the Government had wished to make it plain that a threat to strike was not actionable, while the Conservative majority in the Lords had wished to affirm that a threat to strike could, in certain circumstances, be regarded as the tort of intimidation. Lord Dilhorne, for the Tories in the Lords, agreed not to insist on his party's amendment to the Bill. He made it plain that he was doing so on the ground of expediency, not of principle. Plenty of people on the Labour side, even within the trade union movement, would agree with him.

Clearly enough, it is wrong to withdraw the protection of the courts from an individualist—however spiky—like Mr Rookes, who refused to belong to a trade union. According to some versions, what made the Government insist so powerfully on a measure that some of its members think is wrong, and what made Lord Dilhorne accept this insistence, was a threat by Mr George Woodcock and his fellows in the Trades Union Congress to withhold co-operation with the new royal commission that is to look at the affairs of the trade union movement until they had got satisfaction on this point. Did they really suggest a go-slow in giving evidence, like so many engine drivers? If they did, the royal commission has yet another trade union abuse to look into. They might consult Mr Woodcock. He is one of the commission's members.

VIETNAM

Gently

THE general commanding the American marines at Da Nang in Vietnam expressed his grief on Wednesday at the killing of five civilians, including three children, in a village ten miles south of the base which was attacked on Monday. Newspaper accounts had told how some of the marines, after being sniped at as they entered the village, got out of hand. Apparently the villagers had not dared to get clear before the attack, as a loudspeaker warning had urged them to do; some of them stayed in underground shelters, and became victims of grenades thrown into these bunkers by marines who may have thought the Vietcong snipers were hiding there.

The episode may seem a relatively small one. Many innocents have suffered in the Vietnam war. Many have suffered in the numerous other conflicts now tormenting the world There is no doubt that, in recent months, cruel things have happened in such convulsed areas as the southern Sudan, the Congo, Yemen, the Dominican Republic, Iraq's Kurdish regions and elsewhere, and have mostly gone unremarked—often because nobody was present who felt a concern to tell the story, sometimes because the story was firmly suppressed. The spotlight fell on the village of Chan Son. But, wherever the spotlight falls, what it reveals should be looked at steadily and remembered, not hastily passed over. We do not need Chan Son to show us that war is always cruel. It points to a more specific danger. The Americans in Vietnam face a particular challenge; they need to be able to show a population to whom their presence is not easily explained that they really do mean well by the Vietnamese; their case is that they offer a defence against aggression. Even though on a small scale by war's tragic standards, any act of indiscriminate brutality can destroy that case quicker than anything else.

Undiscouraged

SO far, eagerness to involve the United Nations in the Vietnam conflict seems limited to Washington—which is eager only for a limited involvement. On July 28th President Johnson asked U Thant to do all he could to promote a solution; he also expressed appreciation of the Secretary-General's earlier actions in regard to Vietnam, an appreciation that has not always been marked. Two days later the United States made a further request for UN co-operation in a formal letter to the Security Council; but it did not ask for a council debate. Nor has any other government requested a debate. Russia's reluctance to ask for one has long been conspicuous. Any kind of UN action in the matter has been repeatedly and flatly rejected by both Peking and Hanoi; on Monday it was again rejected in an official Hanoi statement, but this did not discourage Mr Dean Rusk from suggesting the possibility either of discreet soundings by UN officials or of more formal UN action.

Discouragement is not diplomatically fashionable just now. Mr Kwesi Armah, President Nkrumah's envoy, reached London on Tuesday after his Hanoi visit, saying that his talks there had been very useful and refusing to add anything that might jeopardise matters "as peace moves are on hand." Mr Harriman, simultaneously in London at the end of his carefully informal tour of Moscow, Bonn and Belgrade, emphasised Mr Johnson's approval of all the recent initiatives, including Mr Harold Davies's journey. On the same day, some reports from Cairo suggested that President Nasser was already acting on the idea, jointly put up by Mr Shastri and President Tito, that he should sound out the Chinese and North Vietnamese about an approach to negotiation, and that he was finding Hanoi more receptive than Peking or the Vietcong. Meanwhile, some spirits have been raised by Mr Johnson's remark on July 28th that, if Hanoi would only "cease aggression," there would be "no difficulty" about the Vietcong being represented in negotiations.

Against all this must be set the loud beating of military gongs that has marked China's Army Day; the new denunciations in the Peking and Hanoi newspapers of Mr Shastri and Marshal Tito as mere "errand boys" and "precious pets" of America; and the equally savage Chinese attacks on the Soviet leaders for allegedly helping America to advocate deceptive "peace talks." The net score for the week makes the continuing lack of discouragement all the more impressive.

POLICE

Come Clean

THE Home Secretary told the Commons on Thursday about his intentions regarding the case of Detective Sergeant Challenor, the policeman who went crazy on duty and is now in hospital. The James inquiry has reported on how Mr Challenor was able to go on working, arresting people, giving evidence and securing convictions for long after his breakdown. But Sir Frank Soskice is not going to publish it yet. He explained that he has power to remit Mr Challenor for trial as soon as he is well enough: and that publication of the report might prejudice the chance of the trial being fair. Meanwhile he assured the House that the James report shows that no blame can be cast on any other policeman or doctor for allowing Challenor to continue on duty. This is not good enough. It may be true that policemen do not notice when one of their colleagues is raving, but the public really has a right to know why they do not notice. As for the proposal to try Mr Challenor on a criminal charge, surely the wretched man has been enough punished now?

MARKETING IN EUROPE

A monthly research publication

Issue 33, July 1965 features:

MEN'S SHIRTS IN BELGIUM

DEPARTMENT AND VARIETY STORES IN ITALY

Year's subscription £50, single copies £8 each
THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St. James's Place London SW1
HYDe Park 6711 ext 27
60 East 42nd Street New York NY 10017
Murray Hill 7 6860

NON-PENSIONERS

Please Pay Up

BACK in March the Government was forced into the churlish position of refusing parliamentary time to Mr Airey Neave's bill, which sought to give state pensions to the 250,000 very old people who have never qualified for one. Now it could reverse its position without too much loss of face and with much gain in humanity. Not that the Minister of Pensions, Miss Margaret Herbison, is oblivious to the needs of the very old and the very poor. But she could until recently claim, with reason, that the promised income guarantee system was a more efficient way of dealing with the problem—though not strictly relevant to the argument that if most people now receive pensions to which they have contributed very little, why should a minimum pension be denied to anybody at all?

But the income guarantee, which probably never had much chance in the short term, has been officially postponed through retrenchment. Could not the Government, and the Treasury, now decide that this small group of octogenarians are at least as deserving as the houses and schools which are to be saved from the Chancellor's axe? Mr Neave's proposals are estimated at £30 million, net of the national assistance which about half these old people are already receiving—in itself an indication of their poverty. It is true that not all old people in this category are badly off; and still more true that not all badly off old people are in this category. There are, for a start, 500,000 others who retired just after 1948 and are not receiving full pensions. Bringing them in might add another £34 million to the net cost. But at least this is not an inflationary proposal in the stark sense that demand will diminish yearly through death. And it is clear cut and could be got swiftly through Parliament if it were allowed a chance.

EUROPE

Two-span Stuff

WHAT kind of Europe can we salvage? In *The Guardian* on Tuesday Mr David Ennals, the Labour Member of Parliament for Dover, objected to *The Economist's* recent suggestion that, if President de Gaulle caused a break-up of the common market, Britain ought to aim at becoming a member of a revived community with an empty chair kept for France. Mr Ennals disagrees on two grounds. First, because a majority of British people are opposed to "a federal Europe." But there has been a steady swing of opinion in Britain in favour of a renewed attempt to enter the common market, which is all we were talking about; the sort of political organisation that develops out of the common market—federal or something looser—is a matter to be argued out later.

Mr Ennals's second objection is that any such move would throw away the possibility of a "wider Europe" including eastern Europe. But this conception of European development is no ordinary bridge-building; it is real two-span stuff. In the end, most people want to link western Europe's two economic groups to each other, and to eastern Europe. It is not only General de Gaulle who would like a Europe reaching from the Atlantic to at least the Bug and the Prut. But is this the first thing to aim at? Britain's need to be in the common market is even more urgent than it was two years ago. To approach the common market with conditions about some sort of free trade area covering the whole continent, or about the future political development of western Europe, would invite a slapping rebuff. And no bridges can be built in Europe without a solid western pier to start from.

AMERICA AND PAKISTAN

Carrot or Stick?

WHICH is the best way to handle erring allies, the carrot or the stick? After several years during which Pakistan's drift towards China provoked very little concrete American action, President Johnson has decided to try the stick. The countries that give aid to Pakistan should have met on July 27th to make commitments for the next twelve months. Under American pressure, the meeting was put off, ostensibly because the American Congress had not passed the foreign aid bill. This had not stopped the Americans making pledges to India in April, and the true reason was plainly political.

The two countries had been on bad terms since Mr Johnson in April abruptly postponed a visit to Washington by President Ayub Khan. Presumably, the Americans had discounted in advance the demonstrations and angry editorials that greeted their new move. But has it succeeded? President Ayub on August 1st declared flatly that Pakistan would not allow its right to seek normal relations with its neighbours to be compromised, and considerable play has been made with Russian and Chinese promises to pay up if the Americans won't. This would be difficult. The United States promised nearly half of the $431 million pledged by the aid-giving consortium last year, and provided in 1964-65 some $140 million worth of surplus foodstuffs plus unknown amounts, probably around $100 million, of military aid. But it would not be immediately necessary either: these latter programmes are unaffected, while around $1,000 million of consortium aid is in the pipeline.

The threat that future aid will be less generous clearly remains. President Ayub has said firmly that economic aid should be given on purely economic considerations. The Americans have never followed this desirable principle (no more have the Russians or Chinese); certainly not towards Pakistan, which, man for man, gets more than twice as much American aid as India. Yet it is hard to believe the Americans will ultimately cut their economic aid to Pakistan; nor should they. It might have been more to the point if they had cut their military aid.

The Economist

AUGUST 5, 1865

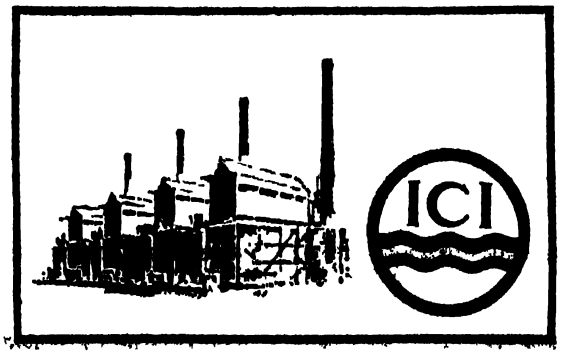
LANDLORDS AND LABOURERS

Sir,—I know not who may be the contributor of the agricultural article in *The Economist* of this week, July 22, entitled "Landlords and Labourers," but he appears to me to write with a very imperfect knowledge of his subject, and with a bias which must tend to deprive his statements of any weight they might otherwise possess. In the name of truth and justice I call upon him to declare from what sources of information or upon whose authority he ventures to assert that "while every landowner regards each labourer as a possible pauper, every game-preserving landowner looks upon each able-bodied labourer in his parish as a would-be poacher." The possibility of the labourer falling into pauperism, and so becoming chargeable, is precisely that which it is the object of the landowner, as of every other employer, so far as he can, to prevent; and, as a matter of fact, large numbers of aged and even infirm persons are found working upon nearly every estate in the country, whose places might be profitably supplied by the able-bodied were the strict maxims of political economy unhappily the rule of our landowners' conduct. Then as to the charge against game preservers, they constitute 9-10ths probably of the owners of land in England, and will continue so to do as long as the love of field sports and country pursuits remains a leading characteristic of Englishmen; for remember that the use of an innocent and national recreation does not necessarily imply its abuse, and the love of shooting, so common in all classes, need not and ought not to extend to the over-preservation of hares and rabbits. As to the game preserver looking on each able-bodied labourer as a probable poacher, the accusation is as foolish as it is untrue. The best and wisest preventive to poaching is steady employment; inasmuch as the steady worker has neither the time nor the inducement to poach, and if a man is unsteady and declines work, the sooner he quits the neighbourhood the better.

I am, Sir, your obedient servant,

M.P.

ICI AGRICULTURAL DIVISION PROCESSES MEAN MORE FOOD—A BETTER LIFE—FOR MORE PEOPLE



By 1966 ICI will be the largest single producer of ammonia in the world. This world leadership has been reached after 40 years' experience, during which all aspects of research, development, construction and production have been studied in depth.

ICI sells its technical 'know-how' through licensed contractors. Throughout the world more than 170 units have been or are being built to operate ICI processes.

For information on ICI Ammonia and Fertilizer Processes write to

THE LICENSING MANAGER
IMPERIAL CHEMICAL INDUSTRIES LIMITED
AGRICULTURAL DIVISION, BILLINGHAM, CO. DURHAM, ENGLAND

..... even without a magic lamp

In "Arabian Nights" the most fantastic tale is "Aladdin's Lamp" which everyone is familiar with. A mere touch of the lamp, "pop", out came the mighty giant. Nowadays you don't need such a magic lamp. Just turn your head! That giant like OKAYA is always beside you.
You really require SPEEDINESS in your business transaction don't you? Of course you do! In this space age all businessmen require SPEEDINESS more than anything else. To conclude your final contract, the fastest trip by "jet" is preferable, but SPEEDINESS in business transaction is more essential and most desirable.
In addition to our 300 years' experience in world-wide trade, a number of highly trained experts, a global network of branches and affiliates, and our close relationship with leading manufacturers in Japan assure that whether it be a tiny TRANSISTOR RADIO or STEEL PRODUCTS and even huge CONSTRUCTION MATERIALS OKAYA's speedy transaction does not change.

General Importers and Exporters

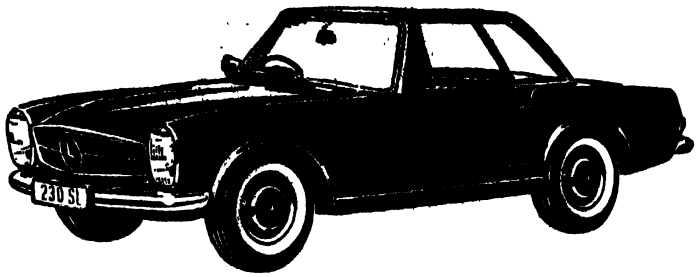
Okaya & Co., Ltd.

Headquarters Tokyo Office: No. 4 Marunouchi, 1-chome, Chiyoda-ku, Tokyo
Cable Address: "OKAYASTEEL" Tokyo, "SASASO" Tokyo, Telex: TK2245 Tokyo
Overseas Offices: Hong Kong, Singapore, Sydney, Calcutta, Duesseldorf, Buenos Aires, New York, Los Angeles, Chicago.

IMPORTANT

IF YOU NORMALLY LIVE OUT OF BRITAIN.....

COLLECT YOUR NEW MERCEDES TAX & IN LONDON



Make a date now to see and test drive a Mercedes-Benz when you're in London. All Mercedes models, whatever the price, have the same built-in precision engineering, the same astonishing road holding smoothness. And all share in the Mercedes reputation for perfect motoring.
Either right or left hand drive can be supplied and you pay no tax provided your stay does not exceed one year. Most models are in stock, but if not, delivery is 4 to 6 weeks from the time of giving a firm order.
Full details of the scheme and the Mercedes range are available from the Export Manager at Mercedes' London address.

Some typical London prices:—

Prices	Ex-Factory	Delivered London
190 Saloon	£954.19. 1	£1,012.15.1
220 Saloon	£1.095. 9.11	£1,153.5.11
220 SE Saloon	£1,391.18. 0	£1,449.14.0
220 SE Convertible	£2,297. 6. 0	£2,355.2. 0
230 SL Coupe/Convertible	£1,994.19. 0	£2,012.15.0

Automatic transmission (all models) costs £126 extra, power steering around £47 extra, and tropical kit 'A' (inclusive M-B tex upholstery) £18 extra. Right or left hand drive.

MERCEDES-BENZ (Great Britain) Ltd.,
Avenfield House, 127 Park Lane, London, W.1.
Tel: MAYfair 5578.

THE WORLD INTERNATIONAL REPORT

The leap comes limping back

FROM OUR FAR EAST CORRESPONDENT

"The Monkey King in Heaven," by the Peking Opera

THAT fatal word "leap" (*yueh*) has limped back into Chinese jargon. In anticipation of the long-delayed third five-year plan (1966-70), the party propagandists are now using *sei-yueh* (soaring or flying leap) instead of the modest *kao-ch'ao* (roughly "upsurge"), which had previously been hanging like a silken Asian curtain over black-edged memories of *ta-yueh* (the great leap of 1958).

Mr Chou En-lai spoke moderately and sensibly at the National People's Congress last December when he announced that the third five-year plan, after an embarrassing hiatus of four years, would at long last be put on the road in 1966, and that 1965, the Year of the Snake, would be a "year of preparation," after the hard years of "consolidation" since 1961. At that time, though Mr Chou En-lai did use the ill-omened word *yueh*, he was speaking of a leap in quality, not quantity, and *kao-ch'ao* seemed a happy compromise for the new strange device on Mr Mao Tse-tung's red banner.

Its replacement has now aroused keen speculation among the eager, frustrated observers who peer through the Hongkong keyhole into the dense mists of the mainland, painfully aware that Peking has published no hard production figures for six long years. Certainly the Chinese have rallied since the great leap became the great flop. "The front line of agriculture was strengthened," as Mr Chou En-lai said, and this recovery has been reflected in a gentle *kao-ch'ao*, but by no means a *yueh*, in exports. There is evidence of belated development in the plastic and chemical fields—which Peking, like Moscow, had forgotten or ignored. There have been improvements in the supply of food and consumer goods. According to opinion in Hongkong, industrial production expanded by around six or seven per cent last year. Exports of machinery have increased but cannot match Japanese products in quality.

China is now trading with more than a hundred countries and owes Russia not a single rouble. And there has been the miracle of the homemade atomic bomb. In all, economic growth, panting hard, has just managed to keep ahead of population growth which is still maintaining an annual rise of 2.5 per cent, despite revisionist exhortations in favour of birth control and austere sanctions against early marriage.

One instructive deduction may be drawn from the blurred blueprints for future heavy industry plans: higher priority for military projects. Chinese Nationalist intelligence is naturally coloured, but there is no reason to doubt recent claims of Chinese military development in the paper-tiger field. The latest assertion out of Taipeh, which the Americans go along with, is that China is not only assembling Mig-17 jet-fighters but also the first Mig-19 and Mig-21 models at Mukden; and that another aviation plant near Peking, which once produced Yak-18 propeller-fighters with Russian aid in happier days of fraternal co-operation, is turning out excellent jet trainers. Another arsenal at Mukden is known to be producing light armoured cars, tanks, howitzers and recoilless artillery. There seems to be substance in intelligence reports that the Chinese are also pressing on with the development of guided surface-to-surface missiles.

But, just as the prodigious effort required for the first atomic explosions diverted China's limited scientific and technical resources from industrial expansion, so does the priority for military requirements continue to slow down economic development. The effect of this diversion on the non-military economy must become more marked as the strained military programme moves into assembly-line production, however primitive. The old State Capital Construction commission has been restored to re-centralise party authority over capital construction. The explanation is simple. Too many cadres—reflecting, as they believe, the party policy of "living with and learning from the masses"—have been releasing vital materials in short supply for undertakings which have an urgent local priority but which, in the prevalent *yueh* mood, are regarded as parochial and unimportant.

Shortages of skilled or even trained engineers and technicians remain the nation's most crushing handicap. Mr Mao's banner of "self-reliance" is being, as directed, "held high" by the small reserve of bewildered experts, who must prudently still leave no doubt that they are—as the slogan runs—"red as well as expert." Officially, the delusion persists that a bad engineer can become a good engineer if he moves out into the countryside, "lives with

the broad masses," does his share of manure collection, and reads the collected works of Mao Tse-tung.

The tragedy for China—and the world—is that the party's propaganda blinkers still obscure the nation's planning. The old men remain in charge, more concerned with what the young generation thinks than what it does. The only likely replacements now emerging parrot their elders' old-fashioned revolutionary maxims. The system of "half work, half study" schools has been revived, partly because of the shortage of schools and teachers, and partly because of party-line insistence that "manual and mental labour must go hand in hand." It was officially announced last week that about 30 million rural Chinese children of school age have no schools to attend, either secondary or primary.

Mr Mao Tse-tung saw ahead clearly enough from the Yenan caves twenty years ago; he looks inward from the Forbidden City today. "Keep politics in command!" heralds this new five-year plan—which is, alas, an old five-year plan. Mr Chou En-lai announced an increase of only 11 per cent for industry during 1965 (four per cent less than was claimed in 1964). Chinese architects are now building houses with small windows "because the daylight through larger windows awakens night-shift workers," smaller factories which "do not encroach on arable land," and urban apartments without flush toilets because chemical fertilisers are almost as rare as public portraits of Comrade Khrushchev. Any Peking Opera director would agree that all this is a restricted and unpromising stage setting for a *yueh*, whether *sei* or *ta*.

China's recent gold purchases in London, and its currency reserve problems, are described on page 551.

GREECE

The Greeks have a word for it

FROM OUR ATHENS CORRESPONDENT

In the midst of all the political confusion in Athens after the fall of Mr Novas's government on Wednesday night two things are becoming increasingly clear. The first is that the origin of the upheaval can be traced back to the seeds of self-destruction that have existed in the Centre Union since its formation four years ago; the second is that the crisis will be finally solved only through the cathartic effect of elections.

The rift in the Centre Union, provoked by the dismissal of Mr Papandreou on July 15th, has led to revelations about the despotic manner in which he has led this party of heterogeneous liberal splinter groups since its accession to power. What brought the warring liberal factions together under Mr Papandreou in the first place was the realisation that unless they united they could never hope to topple the right-wing regime which had been firmly entrenched in power for a dozen years. What made their coming together possible was Mr Papandreou's age, which was a guarantee that the ambitions of the faction leaders would not be smothered for all that long.

But seventeen months of government under Mr Papandreou demonstrated the inadequacy of this guarantee, particularly after the emergence of Mr Papandreou's ambitious son as his political heir. Moreover, Mr Papandreou had managed to enhance his personal—rather than the party's—popularity among the electorate. The unconstructive and largely forced loyalty of his Centre Union deputies today is due largely to their fear that if they displease Mr Papandreou they might find themselves ostracised by the party which stands the best chances of electoral success.

Mr Papandreou can oversimplify complex situations in epigrammatic phrases which keep his audiences spellbound. In the present crisis he has led the Greek people to believe that the king had offended their *philotimo*—the feeling of sensitive pride and honour that is the mainspring of the Greek character and thinking. Here was their own chosen man, who represented 53 per cent of the people, kicked out of power because a twenty-five-year-old hereditary king wanted things run his own way. And when the king refused to give him the defence ministry, Mr Papandreou identified his own personal honour with the "honour of democracy."

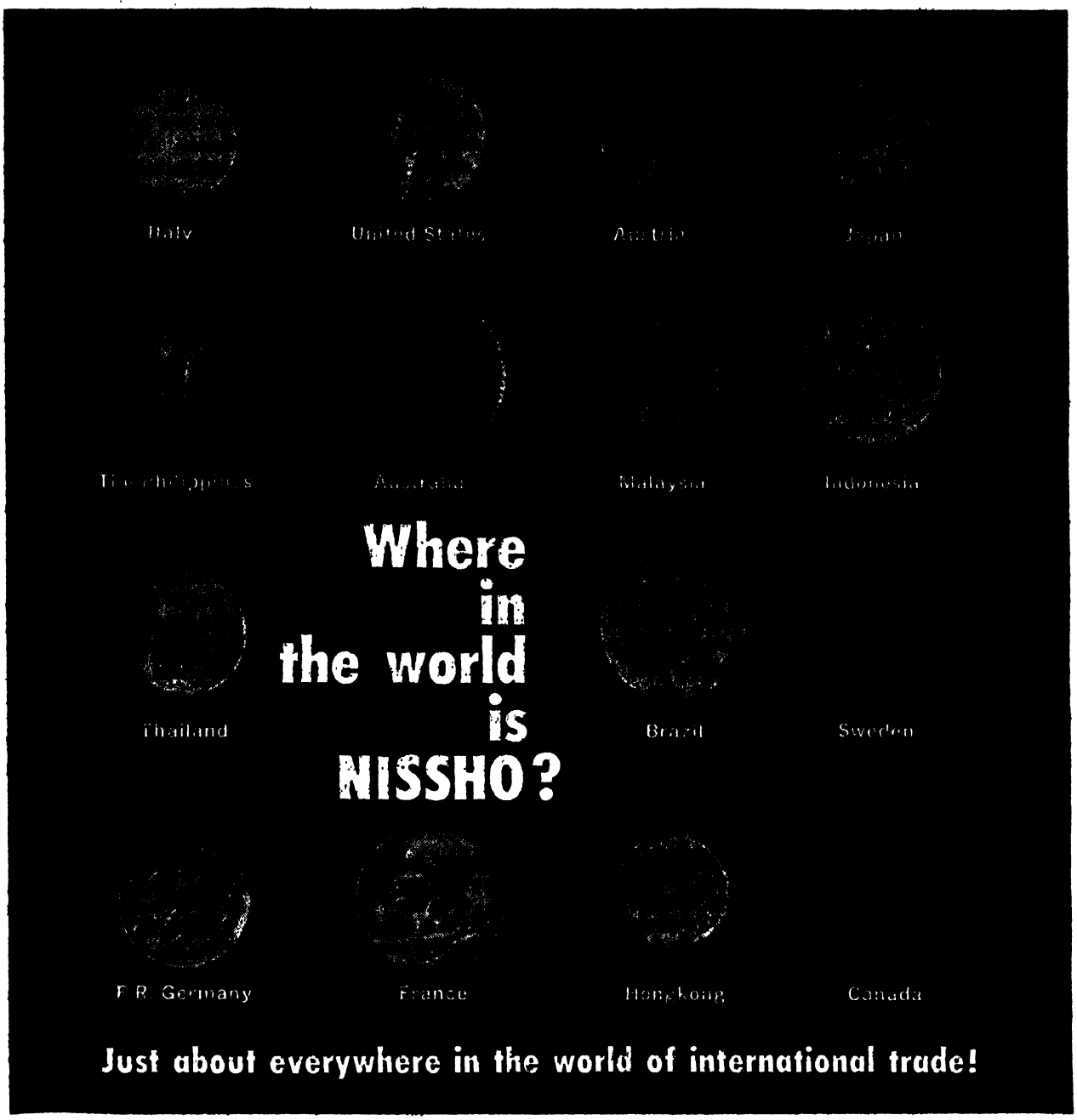
There is no doubt that the choice of Mr Novas as prime minister, in a clumsy effort to remove Mr Papandreou from the party leadership, was the result of a miscalculation. It was thought that the Karamanlis experiment of 1955 could be repeated with the same success. King Paul's mandate to Mr Karamanlis to form a government after Marshal Papagos's death in 1955 was enough to brush aside other contenders. But on that occasion the leader was already dead and, moreover, to a right-wing party the king's wishes are far more mandatory than they could ever be to the Centre Union.

Novas (left): the clasp that slipped

The mob which has been sweeping through the streets of Athens for two weeks, and the loud crowds which have massed intimidatingly outside parliament every night, include non-communist citizens whose *philotimo* Mr Papandreou has managed to arouse. Yet most of them are disciplined and well-organised groups of pro-communists who were out to foment agitation, chant slogans and recruit new disciples.

However many phases the present crisis may go through, no final solution is possible without the clarifying impact of a general election. In the prevailing excitement the poll would inevitably be interpreted as a plebiscite on the monarchy. An interim solution is therefore being sought; this would postpone elections until the impressionable Greek electorate had calmed down. The possibility of a return of Mr Papandreou to the premiership is disliked by the king as much as the alternative possibility of holding immediate elections. At mid-week the formation of another Centre Union cabinet or coalition, perhaps under Mr Stephanopoulos, seemed more likely.

As a last resort it is thought that the king might appeal to all parties to accept a government of national unity led by some non-political personality. One proposal is that this caretaker cabinet should revise the electoral law in order to introduce proportional representation which might help to assuage political tempers and reintroduce the element of compromise long lost in Greek politics.



Just about everywhere in the world of international trade!

As one of Japan's top-ranking importers and exporters, Nissho maintains a network of branch offices in over fifty of the world's principal trade centers. In every office you'll find an experienced Nissho trade expert whose job it is to make your business **his** business. He is backed by an efficient, flexible organization that is active in a wide range of commercial and manufacturing activities.

If you are planning to initiate or expand your overseas business operations, may we suggest that you put Nissho's world-wide capability to work for you. All it takes is one phone call to your local Nissho representative. It could very well be the most profitable phone call you will ever make.

General Importers and Exporters

THE NISSHO CO., LTD.

Head Office: Higashi-ku, Osaka, Japan. **Cables:** NISSHOCONY OSAKA **Telex:** OS3261, OS3265, OS3361, OS3481
Tokyo Office: Tokyo Boekikaikan Bldg., Tokyo, Japan. **Cables:** NISSHOCONY TOKYO **Telex.** TK2233, TK2234, TK2460, TK2538

CHANGING MARXISM—I

Paddling in capitalism

An experiment is stalking through communist Europe; it is an experiment to find out whether there is such a thing as being just a tiny bit capitalist. One by one the countries of eastern Europe, including Russia, are leaving behind the easy old days when the aim was to produce the largest possible amount of a pretty small range of relatively simple goods, and the devil take such subtleties as quality and marginal cost. The new era they are moving into is one of consumer satisfaction; it involves offering people a wider choice of well-made goods. "Soviet-style" planning—the highly centralised system pioneered by Russia and taken over with local variations by other east European countries—worked well enough in the old days. It is no longer enough.

The result is a series of flirtations with some of the techniques of capitalism: the price mechanism, profits as a test of efficiency, what communist reformers describe as the "market principle." Jugoslavia has led the way with these experiments. Poland is now dipping a wary first toe into the unfamiliar water. The next two articles describe what they are doing.

There are three tests for telling how far a country has gone towards the "market principle." The first is how much it lets prices fluctuate according to demand and supply. The old system, in which the central planners told factory managers what to charge for their products, was a recipe for waste. Badly made radios, offered in the shops at the same price as well-made ones, gathered dust on the shelves, unsold; the factory making the good ones had no reason to expand its production. The Czechs now plan to let the prices of many consumer goods rise and fall, within limits, to match demand. The Russians, in the experiment they are conducting with 400 clothing and shoe factories, say that prices will be fixed in negotiations between the factory and the shop. This is a vitally important step: provided the shops enter into the spirit of the new system, it is the consumer and not the planner who, in the end, will fix the price.

The second test is the extent to which efficient factories, producing what people want, are allowed to reap the rewards of their efficiency. If it makes no difference how good they are, they will presumably stop trying to be efficient. One solution offered by the Czechs—who are running second to the Jugoslavs as innovators—is to allow managers of enterprises that do well to spend part of their extra profits on small-scale investments to improve their performance still more; they can also pay bonuses to their employees. The trouble with this is that a spiral develops. If the good get even better, and are allowed to undercut their competitors, what happens to the poor high-cost factory churning out things nobody wants? Capitalism has a straight if brutal answer; the communists are still searching their social conscience.

The third test is the most important of all, and the one hardly anybody in the communist world has yet tackled squarely. How far do you open your doors to western-made goods as a competitive spur to efficiency? Unless home-produced goods are forced to measure themselves against what the West can make, quality will improve only sluggishly, new styles will be adopted more slowly, and resources will go on being wasted.

But genuine competition with the western world raises hideously difficult problems. It calls for exchange rates that do not distort the true price of the outside product. It means that prices at home—including the prices of really basic things like coal and steel and electricity—should be somewhere near what "the market" dictates. In most east European countries now they are nowhere near it. The reformers in most communist countries admit the weaknesses of this; but no country, except Jugoslavia, has nerved itself to do anything about it. It remains to be seen how far the "market principle" can go without leading to what no marxist could stomach: private ownership.

CHANGING MARXISM—II

Poles tiptoe in

How do you preserve the advantages of central planning while getting rid of the waste created by applying it crudely? This was the main theme of a major debate at a meeting of the Polish Communist party's central committee, attended by industrial managers, which began in Warsaw on July 27th. The Poles obviously have no intention of giving up central planning. The main speaker in the debate, Mr Jedrychowski, the chairman of the state planning commission, described planning as a vital element in the "superiority of the socialist system." None of the measures contemplated really threatens the planners' control over the pattern of production, the volume and direction of investment or the structure of prices.

For all that, changes there will be. The Poles recognise that detailed production targets laid down by central planners make for waste. One way in which the Poles hope to get more flexible planning is to give wider powers to the "associations" in which individual firms making similar goods are grouped. The ministries and other central bodies will concentrate more and more on long-term planning, analytical research and general supervision, leaving much of the routine day-to-day work to the associations.

The director of each association is nominated by the appropriate minister in Warsaw and, in turn, approves of the men chosen to be the managers of individual firms in his association. Now the association director is to have a say in such matters as the redistribution of capital resources, the fixing of bonuses and the sharing out of profits. And the individual factory manager, too, is to be given more scope. Within certain limits, he will be able to decide what his factory is to produce in such a way as to meet buyers' demands and maximise his profit. He will also be able to keep a share of the profit as a reward for management and labour.

But the manager's freedom will be limited in various ways. The Poles have rejected as "utopian" the idea advanced by some Russian economists that profitability should be the sole test of efficiency. Most Polish managers—export firms alone excepted—will have to work within centrally imposed limits on the size of their labour force and the amount of wages they can pay. The yardsticks of efficiency will also vary from sector to sector. In coalmining, for example, efficiency can be measured by the tonnage of coal dug up; in engineering the test is more complex. Experiments are being carried out with more sophisticated indicators based on "labour consumption," and variable rates of interest will be used to speed up investment.

As the Poles see it, if profit were to be a true criterion of efficiency, competition would have to be perfect, which it never is, and the state would have to relinquish its control over prices. There is no question in Poland of leaving prices to be set entirely by the market, except for a few marginal items like seasonal foodstuffs. But a certain degree of elasticity is to be allowed for some consumer goods and export items, where the price will be set by agreement between the supplier and the purchaser.

Otherwise the planners want to keep their arsenal of price controls; they will simply try to use it more efficiently. Thus the prices of industrial equipment are to be revised by January 1967 in such a way—it is hoped—as to spur technological change. The "three-price" system, already tried for consumer goods, is to spread throughout the economy. Under this system a commodity new to the market enjoys at first a high novelty price, then goes down to its normal, average price and is finally reduced to a cut-rate level.

For the Poles, plainly, slow transformation, not revolutionary change, is the order of the day. Maybe Poland, with the bulk of its farming and a proportion of trade in

private hands, never was very likely to risk a sudden upheaval. The Russians, however, have also limited themselves so far to experiments. They are expected to hold very soon a central committee meeting similar to last week's meeting in Warsaw; it seems unlikely to produce any really spectacular announcements.

In one respect the Poles might have given a lead to the rest of communist Europe. When they changed their government in 1956 they took a leaf from the Jugoslav book and talked a great deal about workers' councils. Not much was said about them last week. Maybe the demand for workers' control over management will become pressing only when the managers have really secured their own freedom.

CHANGING MARXISM—III

Jugoslavs plunge on

"A SURGICAL STROKE" was how Mr Boris Krajger, the vice-president of the federal executive council, described the Jugoslav government's sweeping economic reforms to parliament on July 24th. Ruthless and drastic the reforms certainly are—or will be, if the government really enforces them.

This is going to be the stiffest test yet for the Jugoslavs' system of letting factories manage their own affairs; if they pass it, their success is bound to influence the other east European countries that are experimenting with ways of making their economic systems more efficient. The Jugoslavs have gone further than any other communists in exposing their economy to the bracing winds of free-market conditions. Their boldness has been rewarded by a remarkably rapid increase in industrial production, but at the cost of mounting inflation (prices are now 24 per cent above the 1964 level), a widening trade gap, and general economic instability. In this situation the Jugoslavs could choose either to go backwards and reimpose tight administrative controls from the centre, or else to take their courage in both hands and press their belief in self-management and decentralisation further towards its logical conclusion. They have chosen the second course.

The general tendency in communist countries has been to use imports not to stimulate domestic industry or provide consumers with a choice, but provide what cannot be provided in any other way. But by exposing their industry to foreign competition, the Jugoslavs hope to weed out those enterprises which by low productivity and high costs are endangering the healthy growth of the economy as a whole. Jugoslav exports, in their turn, will gradually have to compete on equal terms on world markets. The Jugoslavs hope to do this by devaluing the dinar to the more realistic rate of 3,500 to the pound (from 2,100), by gradually liberalising foreign trade, and by using tariffs (which will be lowered) as the chief means of protecting domestic industry where necessary.

Raw material prices, which the government has been holding down, will be allowed to rise gradually until they reach world levels. Industry will therefore be faced with higher costs as well as much more formidable competition. There will be heavy pressure to pile on the costs still more by increasing wages, since prices in general have been allowed to go up, and some have done so rather daringly. Mr Krajger has said that the reforms must not be at the expense of living standards but, at any rate for a time, the cost of living seems bound to go up considerably. If enterprises react by raising wages, they will have to increase productivity first—or else go bankrupt.

The government has given factories no promise of a helping hand, but only, in effect, more rope with which to hang themselves; there is to be no brake on decentralisation and enterprises are to be given control over a bigger slice of their incomes. In the past, in the heady atmosphere produced by a combination of considerable freedom and comforting paternalism from the state, it was all too easy for inexperienced factory managements and workers' councils to order their affairs neither wisely nor well. Now they must face the hazards as well as the joys of more freedom.

IN recent years the government has successfully raised living standards while trying to establish the economy on solid foundations. Now many people, having enjoyed quite a sniff of prosperity, are going to find it hard to accept the government's explanations of why their living standards will for a time stand still or even deteriorate. Moreover the Jugoslav trade unions, unlike those in other communist countries, are becoming an increasingly powerful pressure group; they will certainly make a fuss if the closing down of uneconomic factories as a result of the reforms leads to a big increase in unemployment, which is already a worrying problem in Jugoslavia. Mr Krajger has said that the reforms will have failed if they lead to more unemployment. But in spite of the strenuous efforts that the authorities will undoubtedly make to retrain and redeploy redundant labour, it will be hard to avoid an uncomfortable transitional period in which more men are out of work.

Finally, there are bound to be mutterings of discontent from the underdeveloped republics, like Montenegro and Macedonia, where the factories established largely for political reasons will probably be the first to succumb to the rigours of the new system. The pressure on the government to bale out these factories will be heavy. Indeed, pressure to modify the new policies will probably come from a variety of directions. But the government has made its choice only after great heart-searching and protracted deliberations; it is unlikely to be easily deflected.

BRITISH AID

Send more men

NO more, no less. That is the message of Tuesday's white paper* about British economic aid. Since 1960, official aid has amounted to two-thirds of one per cent of the national product; evidently it will go no higher while balance-of-payments trouble lasts, although, as the white paper emphasises, not all the aid costs foreign exchange (perhaps less than half does). Mrs Castle, in presenting her new ministry's first accounting, predictably ran the gauntlet. From the right, the *Daily Telegraph* denounced her "effrontery" and demanded less of this "giving Britain's money away." From the left, Mr Duncan Sandys charged that British assistance was falling "far below" the target level agreed at last year's United Nations trade conference—a charge which the minister was quick to refute.

Mrs Castle can contemplate neither any real increase in aid, nor any great change in its distribution. Existing commitments set most of the pattern. To channel more aid through UN and other multilateral agencies, to give more of it to non-Commonwealth countries, and to "tie" less of it to purchases from Britain, are among the minister's stated intentions for the future; but not for the immediate future. As to the immediate past, the offer "in appropriate cases" of interest-free loans had already been announced in June (see *The Economist* of June 26th); associated with it is the decision to waive, instead of merely postponing, interest on certain Commonwealth Development Corporation projects during their first stages.

In the circumstances, the ministry of overseas development is concerned, above all, to enlarge and improve the "prime function" it inherited from the former department of technical co-operation: the provision of qualified manpower to help developing countries. As managers and specialist advisers, teachers and instructors, more than 20,000 Britons were working overseas last year on tasks that correspond to the ministry's objectives; some were paid wholly, some partly, some not at all from official British funds. The demand for such "men on the spot" still outruns supply, although the rate of recruiting has been more than doubled since 1961.

Much has yet to be done to make the present patchwork of improvisations and anomalies into a system that will attract enough good men and women to this kind of service. A Bill now awaiting the royal assent will empower the minister to extend the hitherto limited practice of "topping up" to reasonable levels the pay of Britons employed on public service in developing

* Overseas Development: The Work of the New Ministry. Cmnd 2736, 5s. 6d.

countries. A new pensions fund will similarly extend to all who serve overseas under the ministry's auspices the benefits hitherto enjoyed only by some categories. The ministry also promises increased financial aid to those voluntary societies, like the United Nations Association, that send volunteer workers to the developing countries. There are now about 900 such volunteers overseas; next year there should be 1,800.

There may be mixed reactions to the news that the government is to set up an institute of development studies at the University of Sussex. Its courses on development problems will cater both for British officials and for administrators from overseas countries. Whether the institute's activity will foster a more practical approach to these problems, or merely add to the output of academic material of the kind that only academics value, is a question that may not be answered for many years.

A less cautious welcome can be given to Mrs Castle's other new proposals. Her ministry is to build up within two or three years, first, a corps of about 100 specialists on its own payroll who will spend most of their careers on loan to overseas governments or authorities; second, an enlargement by at least 400 of the pool of available professionals—in agriculture, economics, engineering and other appropriate fields—on the establishment of official departments, universities and technical colleges at home. If this enlargement makes it easier to release people for periods of overseas service, the ministry will be that much nearer its goal of getting such service accepted as a normal part of a professional career. Sometimes, it seems, we really are capable of learning from the French.

The white paper links these proposals with another new initiative, to which its tenth chapter is devoted. In the past, it notes, it has usually been left to the developing countries to put forward projects for which British aid might be suitable. In future, the ministry intends to try to be more selective itself. Conceding that the final choice must lie with the recipient governments, it argues that they will nevertheless give due weight to whatever British opinions are offered during consultation. This is, indeed, one of the obvious ways of averting waste of British aid and improving its management. Mrs Castle is doubtless braced to meet the accusations of "neo-colonialism" that may follow. She can fairly retort that she is following a trail blazed by Russia, China, and several African and Arab states themselves.

VENEZUELA

War for the stunted peons

FROM A SPECIAL CORRESPONDENT

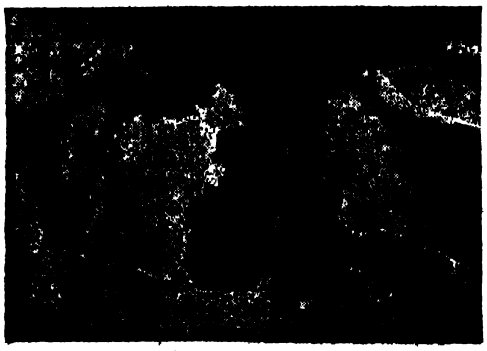
Humacaro Alto, Venezuela

VENEZUELA'S army has moved a specially trained force of more than 3,000 men into these coffee-growing Andes foothills to try to root out the communist guerrillas who have operated with considerable success among the peasants here during the past four years. For ten months the army has been engaged in anti-guerrilla operations on at least seven fronts, in response to the "long war" being waged, in Chinese or Algerian style, by the communist *Fuerzas Armadas de Liberación Nacional* (FALN). This is the first really big use of military force in Latin America against a guerrilla uprising since 1957-58, when the Cuban dictator Batista sent large contingents of his army into the mountains to hunt out Fidel Castro's little bands of students and professional men. The present Venezuelan army campaign is vastly more sophisticated and effective than Batista's, and with other communist guerrilla insurrections emerging in Peru, Colombia and Guatemala, it could become a model for future struggles.

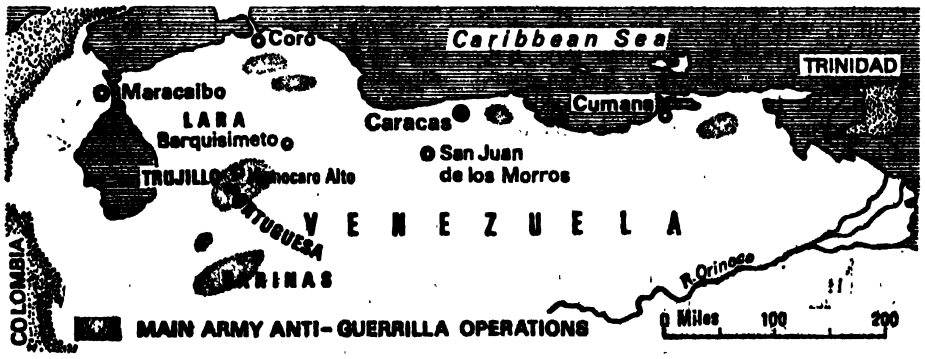
In the mountains south of the village of Humacaro Alto there are few roads. The steep terrain is threaded only by burro trails connecting miserable groups of mud and straw huts and subsistence crops cultivated on 60-degree slopes. The peasants, who mostly practise slash-and-burn agriculture, endure in these conditions the cold winter rains that follow the three-month coffee harvest during which they work as peons for $1.50 per day. They are afflicted with alcoholism, diarrhœa and anæmia, and so ill-nourished that few adult males grow to a height of five feet. They live in a wilderness virtually without schools, communications or government, and now this is a wilderness at war.

The military operation in the mountain area where the Andean states of Lara, Trujillo, Portuguesa and Barinas join is being carried out in even greater secrecy than is normal in a country where, for the past few years, it has been a crime for a newspaper to report in any depth on the guerrillas' activity, or even to label them "guerrillas" instead of "armed bands." But many close observers agree that the army has driven the guerillas either into seclusion within the zone or into flight to another part of the country. Most evidence indicates a casualty ratio highly in favour of the army, which employs upwards of ten soldiers against each guerrilla fighter in the field.

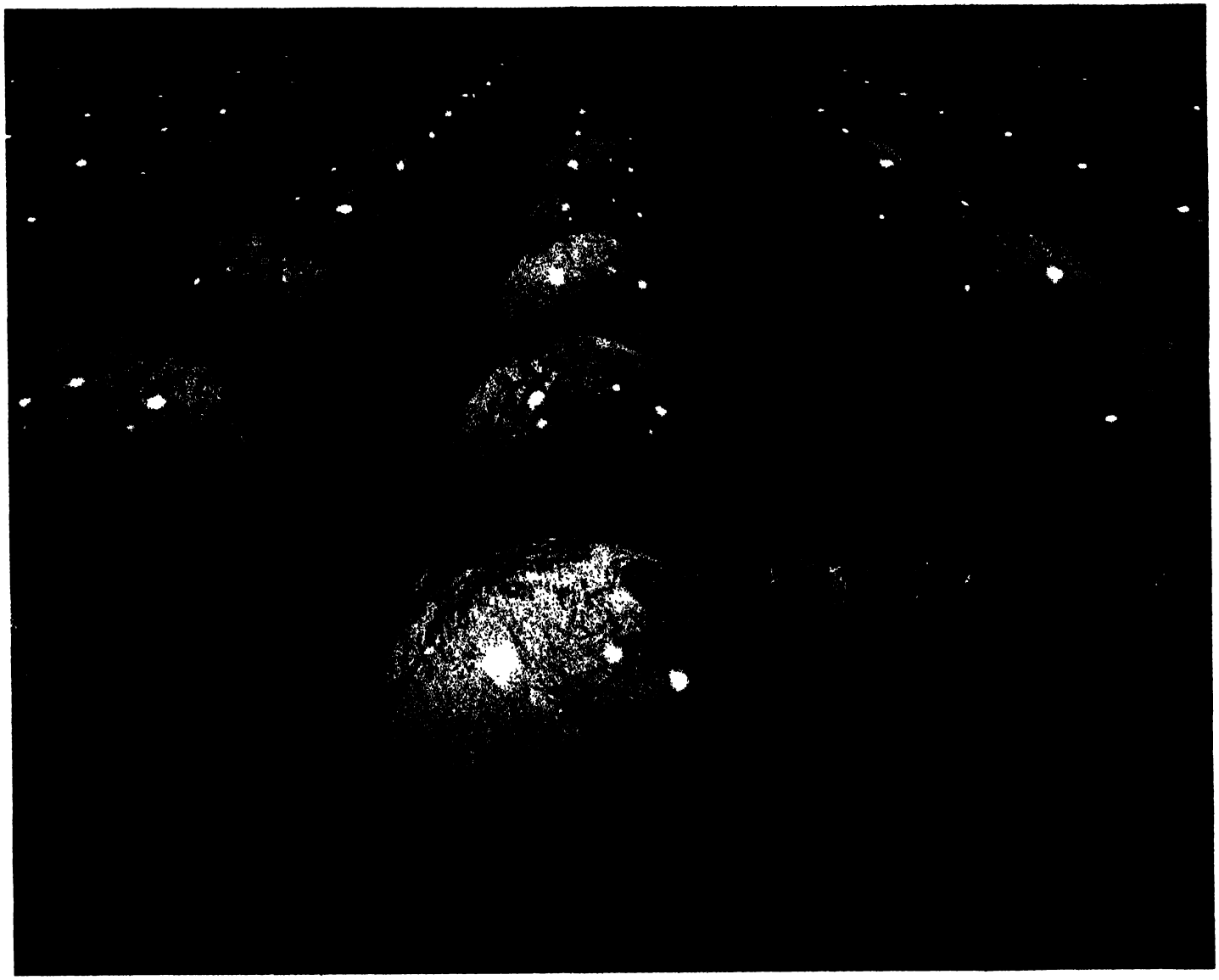
The army has intelligently dispersed its troops, and the small units execute fast, co-ordinated movements designed to keep the initiative. In contrast to the indiscriminate beating, robbing and jailing of peasants by the political police in the earlier stages of the anti-guerrilla struggle, the army is trying to win the peasants over by treating them discreetly if not always kindly under the martial law that applies in the war zone. Much of the struggle consists of rumour and counter-rumour, bribery and counter-bribery. It involves tapping and tracing the guerrilla information network and, most important, re-establishing the government's authority in isolated areas that have in effect been ruled by the guerrillas for months if not years.



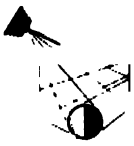
Dynamite on the pipelines



PILKINGTONS
lead the world in glassmaking



There's no more searching test of a glass than to make it into a mirror, and reflect an object in it again and again. There's no doubt which glass makes today's finest, truest mirrors. It is Float glass, invented and developed by Pilkingtons.

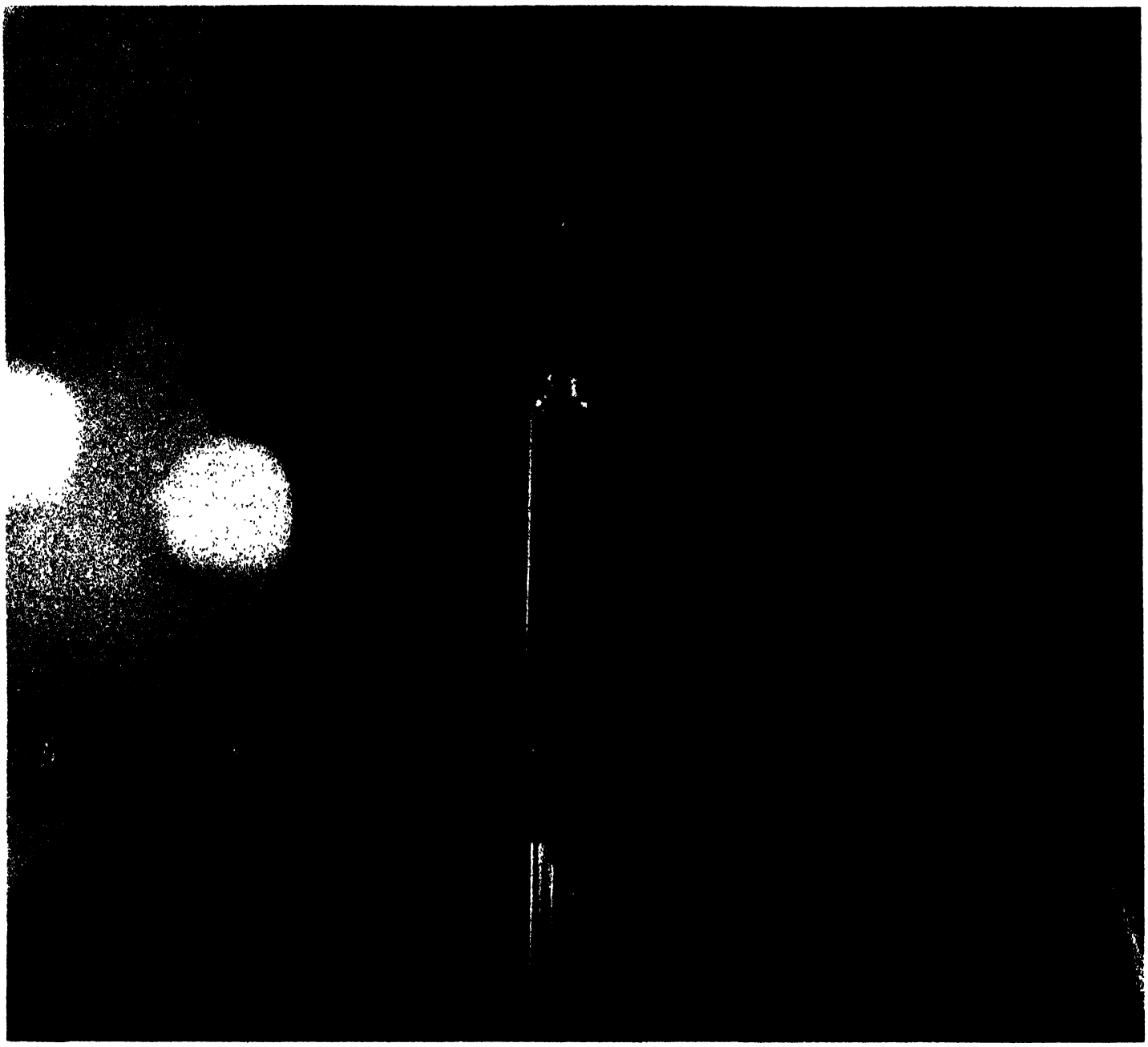


Pilkington glass is made or processed in up-to-date plants in nine countries, and behind every product are the vast resources of some of the glass industry's largest laboratories, working on quality control, and on research and development. Pilkington research and development produced Float glass which, with its new clarity and brilliance, outdates Plate glass in modern building, for mirror making and for toughening into safety glass. For the finest glass specify Pilkingtons.

An up-to-the-minute glass for every building need:
Float • Plate • Sheet • Patterned
Wired • Heat-Absorbing • "Vitrolite"
"Armourplate" and "Armourcast" Doors
Coloured Cladding Glass • Domes • Glass Blocks • "Insulight" Double Glazing Units
Diffuse Reflection Glass • Louvre Blades

For further information please write to:
PILKINGTON BROTHERS LIMITED
ST. HELENS, LANCASHIRE, ENGLAND

FOR MODERN BUILDING SPECIFY GLASS BY PILKINGTONS—INVENTORS OF FLOAT



QUIET! SHELL PLASTICS IN OPERATION

Noise and clatter have a bad effect on patients' health. Traditional hospital ware made from glass or enamel can be sterilised but makes a lot of nervous noise. Now Shell have produced Carlona P polypropylene, which can be easily sterilised. Cups, saucers, hypodermics, kidney basins . . . all hospital ware made from Carlona P is quiet, chemically resistant and inert, rigid, won't chip, crack or corrode. Articles made from Carlona P are cheaper to buy and last longer than traditional materials.

Shell plastics include Carlona P polypropylene, Carlona high and low density polyethylene, Carinex polystyrene, Carina PVC, Styrocell expanded polystyrene and PVC compounds. All have the potential for a wide variety of new uses.

This is just one example of Shell chemicals in use. There are many others in Shell's comprehensive range. If you have a chemical problem, industrial or agricultural, Shell can probably help. Contact your Shell company.

PLASTICS

Shell Chemicals

In the long run, the political struggle will be far more important than the military one. The present state of things in Humacaro Alto shows how deeply the FALN has penetrated rural life in certain areas. This sleepy village's mayor, a member of President Raul Leoni's *Acción Democrática* (AD) party, and its school director have been jailed for collaborating with the guerrillas. The AD mayor of a neighbouring village was murdered last November for refusing to collaborate, and the same has happened to many AD peasant leaders throughout the country. Many guerrilla leaders are former university students and sons of large landowners; they know the neighbourhood intimately. They pay the poor farmer generously for food, lend him money (the proceeds of city robberies) with which to buy seed and tools, help him sow and harvest, give him medical supplies, assist as midwives at the birth of his children, and enter into *compadre* (godfather) relations with his family when the children are baptised. Many peasants have been given military training by the guerrillas; on April 28th near Humacaro between 50 and 100 armed peasants hidden in a sugar cane field ambushed an army patrol, killing five soldiers. Estimates of the number of students and peasants trained in guerrilla warfare, but not yet used, run into the thousands.

By itself, the guerrilla movement cannot overthrow Venezuela's six-year-old constitutional democracy; and indiscriminate terrorism has cost the Venezuelan Communist party both the legal status and the popular sympathy it enjoyed after the overthrow in 1958 of the dictator, Marcos Pérez Jiménez. The successful waging of the "long war" depends upon aggravation of the acute social and economic problems that afflict the country despite its immense petroleum and iron resources and unexploited expanses of rich soil and forests. The increasing fruits of a 7.5 per cent annual economic growth rate are still being narrowly distributed among foreign oil and mining interests and a few wealthy Caracas families, while unemployment (officially 13 per cent) and under-employment remain disturbingly high. The continuing business and construction boom in Caracas seems to have no effect on the economic stagnation of many provincial towns and the abysmal backwardness of the countryside.

Venezuela's population has doubled in twenty years to reach a figure of 8.7 million, and three decades of migration to the cities have changed a 70 per cent rural population into a 70 per cent urban one. Moreover, 55 per cent of all Venezuelans are now less than twenty years old. There are 2.37 million children between the ages of 10 and 19, and only about a quarter of these attend school, despite the ambitious school construction programme carried out by the Betancourt and Leoni governments since 1959. The crime rate is fast increasing, and not all the murderers and thieves are in league with the FALN terrorists, who nevertheless do hide a number of them in the residence halls of the communist-controlled Central University in Caracas.

President Leoni's recent success in drawing some of his party's political rivals into a "broad base" coalition greatly reduced tensions in Caracas and strengthened his prospects of surviving to the end of his full term of office. On July 29th, however, a mounting wave of FALN terrorism led his government to order the arrest of 4,000 "activists" of the Venezuelan Communist party and the Movement of the Revolutionary Left (MIR). This new wave had begun with an abortive taxi strike on July 12th, when, for the first time in nearly three years, police exchanged gunfire with students hiding in the Central University dormitories. Last week the wife of an army captain attending the university's communist-dominated economics faculty was murdered, and in eastern Venezuela saboteurs set off six explosions along pipelines and at other oil installations.

The FALN has launched a new guerrilla operation in the east in recent months, in an apparent attempt to relieve the army's pressure on the older guerrilla groups in western Venezuela. The new wave of violence coincides with an increase in friction between the MIR, which controls the urban terrorists and the rural guerrillas, and the Venezuelan Communist party which, in hopes of obtaining the release of imprisoned communist leaders, has shown signs of wanting to negotiate a "democratic peace" settlement with the government.

JAPAN

They stand alone

FROM OUR TOKYO CORRESPONDENT

Is Japan, in the middle of its worst economic recession in years, beginning to swing towards socialism? Judging from the claims of the exhilarated Socialist party, and the gloom on the faces of the conservative Liberal-Democrats, the movement is already under way. The Liberal-Democratic party, for years boasting a record of steady wins and no defeats, suffered a smashing defeat in Tokyo in the House of Councillors election on July 4th and lost control of the Tokyo metropolitan assembly on July 23rd. Liberal-Democrat officials, obviously considering both defeats a dangerous slip down the political ladder, have publicly announced their intention to "reflect seriously upon their past mistakes" and to clean up their organisation.

Their work is cut out for them. During the street-corner campaigns for the Tokyo assembly election Liberal-Democratic candidates were often greeted with contemptuous laughter when they expressed regrets over the scandals that came to light in the spring. The Tokyo assembly was dissolved on June 14th after 17 Liberal-Democratic assemblymen had been arrested on bribery charges over a three-month period. Coupled with rain on election day, the effect of this was to give the Socialists 45 seats against the Liberal-Democrats' humble 38. Naturally, the Liberal-Democrats are frightened that this casts a shadow ahead; their leaders have been uttering warning cries of alarm in the past week about what a swing on anything like this scale could do in the country as a whole.

Komeito's chairman, Koji Harashima

But the most interesting part of the Tokyo election was the success of Komeito, the "Clean Government" party which is the political wing of the Buddhist Soka Gakkai movement. Komeito won 23 seats, all it fought for, and now holds the balance of power in the Tokyo assembly. This militant group will vote as a body exactly as its leadership orders. Early in the election campaign the Socialists claimed that they had formed an unofficial alliance with Komeito which they said would be invaluable not only in the Tokyo assembly but also in national politics. Komeito seemed to go along with this, neither denying outright the existence of such an alliance nor openly admitting it. The gloom of the Liberal-Democrats deepened.

Since the election, however, Liberal-Democratic leaders have regained some of their confidence by watching the so-called alliance and observing that Komeito has not automatically voted with the Socialists. It has voted on a case-by-case basis. The most important point at issue is the Socialist attempt to force Tokyo's Governor Azuma (originally nominated by the Liberal-Democrats) out of office by a non-confidence vote. This needs the votes of three-quarters of the assemblymen present, and a quorum

of two-thirds. Komeito's support is necessary; but so far it has been withheld. In 1963 half a million Soka Gakkai voters helped to pull Governor Azuma to victory in a close race with a Socialist candidate. In the recent campaign, however, they campaigned against the Azuma administration. It looks as if Komeito is going to play a careful political game, calculating each move cautiously from day to day.

An example of the high hurdles that the Socialists evidently plan to place before Komeito is the repeal of ordinances which outlaw unlicensed street demonstrations, as well as demonstrations that lead to violence. The Socialists have also promised to abolish the city riot police, which have been so effective in maintaining peace and order in the past. These moves will not be popular with the nationalistic members of Soka Gakkai who support Komeito, particularly since the secretary-general of the Socialist party has announced that "come September, we will spearhead a nationwide [street] campaign against ratification of the Japan-Korea treaty."

AFGHANISTAN

New experience

FROM A CORRESPONDENT IN KABUL

After its long history of blood feuds and fratricidal struggles for power, Afghanistan is preparing for its first general elections (to start at the end of the month), complete with adult franchise and secret ballot. Although most Afghan peasants care very little about any of this, there is genuine interest among the intellectuals and, indeed, among all classes in the towns. While anybody selected by the king is likely to be elected, not all the candidates are handpicked. The contest will be between personalities but this could eventually promote the growth of effective opposition parties.

This political activity springs from the new constitution. This provides for a parliament of two houses: a house of the people, with 215 members elected for four-year terms by universal vote, and a house of elders, one-third of whose 84 members will be directly elected, one-third elected by provincial councils and one-third appointed by the king from among "well informed and experienced persons."

Candidates must have been Afghan citizens for ten years, and be sane, literate and at least 25 (30 for the upper house). Voters need merely be sane, over 20 and have one year's citizenship. Women, in theory, can vote and stand for office: several women have already been announced as candidates. Six special constituencies have been established for nomads. To help the mainly illiterate voters, there will be a separate ballot box for each candidate, bearing his name, photograph and election symbol.

To test the new procedures, the government allowed the city of Jellalabad its first free municipal elections (the previous eleven were admittedly rigged) at the end of May. In this town of 15,000 to 20,000 people, 37 candidates stood for 20 seats. Some 1,800 votes were cast, but no women voted, and probably few will have the courage (or be permitted by their husbands) to vote in the national elections, except in the major cities. Several arguments, mainly over the identification of voters, developed but there was no serious trouble.

The first national elections will be for the house of elders, from August 26th to 31st, except in the three major cities of Kabul, Kandahar and Herat which will vote from September 3rd to 8th. Elections for the lower house will follow immediately afterwards. There is already considerable political activity, though mainly behind the scenes. Since no political parties exist, and probably will not for some time, personality, kinship and probably bribery will be the keys to success.

For the first time, however, the press and radio, both government-controlled, are being made available to candidates for electioneering. Newspapers plan to sell space at the usual advertising rates, in addition to publishing free the names and photographs of all candidates when they are nominated. The radio station has started a series of programmes explaining the constitution, the election procedure and how other countries hold elections. It will report the campaign, interview candidates and election officials, and also offer peak hour radio time to candidates at roughly £55 for five minutes.

These democratic trappings should not be exaggerated. Provincial governors are now busy holding public meetings to discuss the elections and to tell people what kind of candidate deserves support—that is, one who backs the government's reforming policies. Local election commissions have broad powers to reject likely subversives as voters or as candidates.

Many people eligible to vote, even in the towns, will not register. The illiterate Afghan (who constitutes about 95 per cent of the population) generally prefers to stay as far away from government officials as possible, and fears that placing his name on a voters' list may make him more vulnerable to government pressures, such as taxes, conscription, and forced labour, even though this last is now prohibited by the constitution. The government cannot risk too volatile an opposition, and many candidates will be, at least unofficially, the king's men.

But, on the other hand, the elections will not be a mere facade, or an attempt to maintain the status quo. It looks as if those who now hold power in Afghanistan are genuinely trying to follow the road of constitutional democracy, and that, in a country where political freedom is new, the elections will be as fair as can be expected.

NIGERIA

Lonely Radicals

FROM OUR LAGOS CORRESPONDENT

"We are a nation of comfort-seekers," complained a Nigerian economist, Dr Sam Aluko, in a recent article. Dr Aluko has argued the case often enough: his general thesis, that economic planning is inadequate in conception and half-hearted in practice, has been focused on scores of individual targets. Many Nigerians agree with him, but few say so out loud. Nigerian democracy is weak in overt radicalism.

It is not that there is no radical tradition; just that independence in 1960 consigned it to history. Most radicals found their place in the establishment, either as politicians or as officials. There have been eruptions: the biggest one landed the federal opposition leader, Chief Awolowo, in prison for treasonable felony. But the weakness of Nigerian radicalism was shown up by the compromise that ended the election crisis in January. The politicians who one day were shouting against the "tyranny" of a "reactionary" government joined that very government the next day. The acting leader of Chief Awolowo's party, the Action Group, has now promised that it, too, would be willing to serve in the federal government if invited. Nigerians carry the dictum, "If you can't beat them, join them" to an extreme.

All this makes Dr Aluko a splendid exception. After resigning from the University of Ife, in protest against political pressure, he became acting head of the department of economics at the University of Nigeria, Nsukka. He is an active member of the Action Group, but declines to stand for parliament, ". . . not while those people are in power, anyway." This is, again, what many frustrated would-be radicals say—but in private.

Still, Dr Aluko, a thin, fast-talking man, is not entirely disillusioned with the politicians. While angry with the leaders of the Progressive Alliance for having joined the federal government in January, he believes a new radicalism could yet emerge from the alliance. "All we need is purging; the Action Group has already had its purge, the NCNC [the other major partner in the alliance] has yet to undergo one."

In the meantime, Dr Aluko argues for such things as labour-intensive industries instead of capital-intensive ones (to cope with unemployment), higher taxes for the rich, and increased powers for the centre government. He attacks the system that pays a permanent secretary in the civil service £3,000 a year and his messenger boy

£9 a month. He has worked out that if the money that is now lent to senior civil servants to pay for their cars (about £6 million a year) were used to provide public transport, most of the loans would be unnecessary. This kind of writing is read avidly and has made Dr Aluko a hero. But the government shows few signs of taking notice.

Dr Aluko is not quite alone. Another outspoken radical, less intellectual and even more popular, is Mr Tai Solarin, the founder and principal of the Mayflower School, a popular columnist and an overwhelming talker. He attacks the same targets but from a different angle. His message is that the Nigerians must decolonise their minds. First they must throw away collars and ties and all that these stand for (he threw away his own the moment he returned to Nigeria from London University). Then they must secularise education and do away with grammar schools, school certificates and other irrelevancies, and start teaching children what they need to know to make a living. He also calls for an end to big cars, imported spirits and inflated salaries.

> There is no unemployment in Nigeria, there is a horde of unemployable young citizens being minted in a snowball fashion, by a dead or at least moribund educational system.

Mayflower School, like those Mr Solarin attacks, prepares its boys and girls for the usual examinations. But this is a compromise, in deference to popular prejudice. What counts at Mayflower are such extra-curricular virtues as self-reliance, curiosity and physical work. The boys began by building their own dormitory. Now they grow their own cocoa, grind and roast the beans, and drink the result.

Like Dr Aluko, Mr Solarin gets floods of approving letters. But, just as the minister of finance goes on his happy way, more or less regardless of Dr Aluko's warnings, Mr Solarin's pupils (and more particularly their parents) still insist on taking their exams. The prophet is undaunted. One of his articles took the form of a lecture delivered in the year 2010. It prophesied that, by then, Nigeria will have been freed of corruption, nepotism, sloth and even "the wickedness that went with an election."

BHUTAN

God save the King

FROM OUR INDIA CORRESPONDENT

KING JIGME DORJI WANGCHUK of Bhutan had a narrow escape on July 31st. He had been camping overnight outside Kyichu monastery, not far from his tiny kingdom's frontier with Tibet. As he entered a tent his ears caught the sound of someone close by; a moment later a grenade landed on the tent. But by this time the king was safely outside, pistol in hand. The

The king: knavish tricks confounded

assailant got away and was believed to be making north.

This was the third major episode in troubles that began with the killing of Bhutan's prime minister, Mr Jigme Dorji, in April, 1964. The second was an abortive army coup last November, after which the acting prime minister, Jigme Dorji's brother, Mr Lhendup Dorji, got the sack and the deputy chief of army staff fled to Nepal. The younger Dorji keeps protesting his loyalty to king and country, but from the safety of London, where he is now living.

One can read into all this deep manœuvrings by India or China (or even the United States, a possibility mentioned by *Izvestia*). But none of it would be true. The army rebels have claimed that India set the king against them because they favoured revision of the 1949 treaty under which New Delhi guides Bhutan's external relations. So far as one can judge, though the king may crave more elbow room in some ways, he wants to leave the basic relationship with India undisturbed.

A far more likely explanation is plain palace intrigue. Jigme Dorji had built up considerable personal power, helped by the king's long absences in Switzerland for health reasons. This was resented by another faction who in true medieval fashion hired themselves an assassin. They were temporarily balked when the king made Mr Lhendup Dorji acting prime minister—but he turned out to be easier to remove. A familiar figure in Calcutta's pleasure spots, he made mistakes that were represented to the king as attempts to usurp his authority. In no time he was out of favour and his henchmen in the army took to their heels to save themselves from the royal wrath.

These intrigues have still to work themselves out. How, one cannot say. Bhutan's crown prince is a child just back from school in England, while the regent is the king's young half-brother, inexperienced in affairs of state. There have been reports of a plot to kidnap the crown prince. Bhutan's troubles are clearly not over; it also clearly needs its king.

PAKISTAN

Sad plumage

FROM OUR PAKISTAN CORRESPONDENT

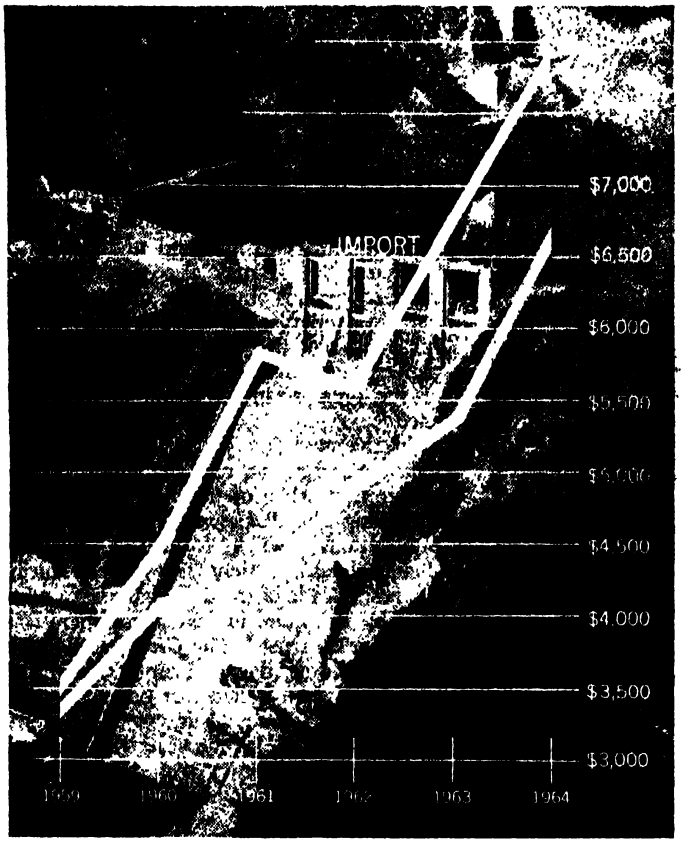
THE suspension last week of Pakistan's press laws in favour of a voluntary code of ethics may restrict the exposure of female torsos and legs in film and night club advertisements. It may also ensure slightly more scrupulous observance of normal journalistic standards. But it is extremely doubtful whether it will tend to make the newspapers more independent. Few elements of the press seem interested in independence.

In the past few years, the character of Pakistan's press has changed almost beyond recognition. Most of the major newspapers, including the *Pakistan Times* and allied publications, which formed a powerful chain of independent newspapers during the first decade of freedom, have been taken over by the more or less government-controlled press trust. The *Civil and Military Gazette* closed down abruptly about two years ago when it had just begun to make its voice heard as an independent newspaper. For nearly four years the principal national news agency has been directly under government control.

MANY newspapers have come to be edited by men who regard themselves as little better than civil servants and who are, in fact, worse. They seem over-anxious to dispel the suspicion, still deeply entrenched in the establishment, that a journalist is a man with an incorrigible passion for fault-finding and a morbid interest in the darker side of things. In recent years a number of outstanding journalists have quit, or been forced out. At lower levels, talented journalists are hard to find, and the shortage of talent is fully reflected in the papers they produce.

Circumstances favour accepting the official line that in a developing country the main task of the press is to reflect and aid the country's development efforts and not to bother overmuch about political abstractions. Even if the press laws were scrapped altogether it would not make much difference. An independent press will come about only when the newspapers come under the control of men eager and able to run them independently or when new papers are easier to start. Another essential is the emergence of a strong democratic trend in politics.

None of these things is likely to happen. The press trust seems determined to maintain and extend its empire. There is no promise of a more liberal attitude towards granting legal permission and other facilities necessary for the emergence of new periodicals. In these circumstances, government talk about raising standards of journalism is like pitying the plumage and forgetting the dying bird.



Japan's imports-exports (in millions of U.S.$)

How to buy and sell in the billion dollar Japanese market

One way is to open your own office in Tokyo staffed with over 3,000 experts on Japan's industries, commerce and foreign trade. In effect this is what you get when you deal with Japan's largest general trading company, Mitsubishi Shoji of Tokyo. From its head office with 100 branches and associates throughout the world, Mitsubishi Shoji helped over 7,000 overseas firms do $1,800,000,000 worth of import-export business in Japan last year. Mitsubishi Shoji handles everything from consumer goods to heavy industrial equipment. Long association with other Mitsubishi enterprises (40 of Japan's largest corporations) gives you a priceless advantage when either buying or selling in the Japanese market. Put Mitsubishi Shoji's proven ability to work for your firm. For complete information write to:

General Importers & Exporters

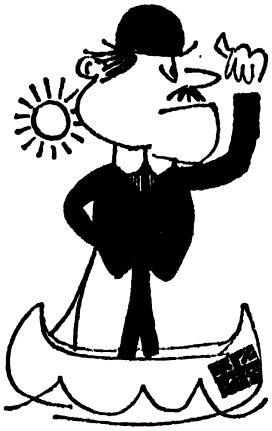
MITSUBISHI SHOJI KAISHA, LTD.

Head Office: Marunouchi, Tokyo, Japan

London Branch: Bow Bells House, Bread Street, London, E.C.4

Overseas Trade Network: Düsseldorf, Hamburg, Paris, Milano, Madrid and 55 other major cities around the world

Obtaining an overdraft is one thing



Arranging for international finance is quite another

That's when it's nice to know you have a friend at

Chase Manhattan

the specialist international bank

The Chase Manhattan is equipped to raise a loan for you actually inside the country with which you are dealing. But this is only one of the specialist services it can offer. For the Chase Manhattan, the leading bank for business in the U.S., has offices in the world's key financial centres, and the largest network of correspondents of *any* bank.

This unique organisation can be set in motion immediately from the London Offices of the Bank. The result is a service that's complete. It's also the fastest possible.

So if you do any kind of business overseas, remember you have a friend at Chase Manhattan, your *specialist* international bank.

THE MANHATTAN BANK

Incorporated with Limited Liability under the laws of the State of New York

6 LOMBARD STREET, LONDON EC3 • 46 BERKELEY SQUARE, W1

THE WORLD □ AMERICAN SURVEY

Decay at the Democratic Roots

NEW YORK

THE reasons why Mr John Lindsay, the Republican Congressman from the most elegant district of Manhattan, is now a favourite to be elected Mayor of the overwhelmingly Democratic city of New York in November go deeper than Mr Lindsay's youth (he is 43), good looks and political glamour. As early as the mayoral election in 1961 opportunity knocked in New York for any Republican with the capacity to exploit it. Using any standard of measurement it is clear that the city's millions are dissatisfied with the stand-pat administration of Mayor Wagner in the last twelve years. They are receptive to any change. But the city's Democrats, instead of rising to the challenge posed by Mr Lindsay's candidacy and the imminent revolt of the voters, are falling deeper into their Byzantine struggles for party control, openly scuffling for the reins of power left dangling by Mr Wagner's decision not to seek a fourth term as Mayor.

What is happening in New York City reveals a country-wide weakness in the Democratic party, a weakness which has been growing for the past decade, although it has been obscured for the most part by the worsening internal cleavage of the Republican party and most particularly by the disastrous Goldwater campaign. The Democratic organisations in the big cities of the Northeast and around the Great Lakes, the bed-rock of the party's strength in both presidential and congressional elections, are in varying states of decay. Unable to cope with the agonising problems of the great cities in the nineteen-sixties, these Democratic machines are also suffering from bitter internal wars for power. The jobs that they can dispense, once so effective a means of maintaining discipline, have little meaning in an affluent age.

Fortunately for the Democrats, the opposition to them has been preoccupied with ideological disputes. Mr Goldwater's campaign built up record Democratic majorities last year and Republicans today remain in a state of schism between Goldwater and non-Goldwater wings. But in a few eastern states Republicans have been successful enough in staving off right-wing elements to be able to assume the moderately liberal, reformist position which has a chance of cracking through the Democratic monopoly of the City Halls. In Philadelphia, for example, the Republicans are running an erstwhile reform Democrat for District Attorney and may win their first major city office in sixteen years.

But the great Republican opportunity in the cities is most clearly reflected by the Lindsay candidacy. In New York, from the Negro slum dweller of Harlem to the wealthy resident of the East Side, there is a pervasive feeling that the city has become a miserable place to live in. The rising wail against filth, high taxes, crime and, in the case of the Negro and Puerto Rican minorities, against the anguish of living in slums is almost surely beyond the best of city governments to satisfy. Yet there is no doubt that the Wagner administration has been frozen in its tracks, unable or unwilling even to seek new solutions to the new problems of urban life. It is here that Mr Lindsay has his great appeal. In a community where people have to make the long, dreary trek to City Hall to voice complaints Mr Lindsay proposes neighbourhood centres to hear them—admittedly not a proposal of genius but one that strikes a universally responsive chord in the New Yorker. Apart from his glamour, Mr Lindsay's great asset is that he conveys the impression that something can be done to make life a little more livable in the city.

The most remarkable phenomenon in New York politics today is the Democratic response to Mr Lindsay's challenge. First, there was Mr Wagner's surprise decision not to seek a fourth term as Mayor. Second, in the confusion left by Mr Wagner's withdrawal, the city's Democrats have been displaying very nearly as little aptitude for party politics as they do for city government. The favourite to win the nomination for Mayor in next month's Democratic primary election is Mr Paul Screvane, a plodding civil servant who is now President of the City Council. He has Mr Wagner's blessing. But he might well be upset by Mr Abraham Beame, the City Controller and the choice of the anti-Wagner party organisations in the Bronx and Brooklyn, the city's most populous boroughs. To the reform movement which backed Mr Wagner in 1961 and then was spurned by him, Mr Screvane and Mr Beame are Tweedledum and Tweedledee, undistinguished party hacks who simply will not do. Yet the reformers are split among themselves with two separate candidates, neither of whom has the slightest chance to win, entered in the race for the nomination. Further complicating the matter is the fact that Mr Beame and Mr Screvane, who have no doctrinal differences whatever, are now so incensed at each other's bid for power that each threatens, should he lose the primary election in September, to stand as an independent candidate for Mayor in the November general election.

NEW YORKERS, who, in their dry, uncomfortable summer of 1965 tend to blame the Democratic administration even for the drought, have reacted to the frantic scramble of Messrs Screvane, Beame *et al* with ill-suppressed yawns. Although the Negro and Puerto Rican minorities will go down the line for the Democratic nominee, whoever he may be, there are signs of revolt within the city's huge, relatively well-educated and heretofore solidly Democratic Jewish block. Public opinion polls show substantial Jewish defections toward Mr Lindsay, particularly among the middle-class residents of Manhattan who have shown their irritation with the Democratic establishment by supporting the reform Democrats in the past. Mr Lindsay's most obvious gain in this direction was the endorsement which he received from the Liberal party, a splinter group composed largely of Jewish garment workers which has supported Mr Wagner solidly in his three campaigns for Mayor.

A great deal of all this is sheer image; the dashing Lindsay is certainly a more appealing figure than the pint-sized Beame or the swarthy Screvane. But there is substance also. Federal officials who have been trying without much success to administer President Johnson's anti-poverty programme in New York admit privately that Mr Lindsay as Mayor would unquestionably be easier to do business with, and less concious of City Hall's prerogatives, than a Screvane or Beame administration. Moreover, some Democrats feel that the shock of a Lindsay victory is absolutely necessary if the Democrats are to shrug off their hangers-on and their party hacks and grapple with the real problems of city government.

Mr Lindsay is not without his own problems, particularly from his right. Mr William Buckley, the right-wing theorist and editor, is running as the Conservative party's candidate and could draw as many as 200,000 votes, including those of many orthodox Republicans. That could be decisive in a close election. Furthermore, some leaders of the city's Lilliputian regular Republican party

complain, with more than a little justification, that Mr Lindsay has run away from the Republican label. Particularly irritating to these Republican old-timers is the fact that Mr Lindsay selected as his candidate for President of the City Council a Liberal party leader in return for the Liberal party endorsement, which may be worth a half million votes.

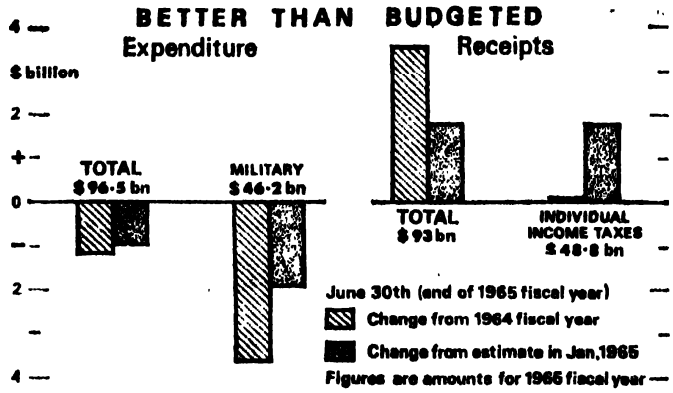
Neither Mr Buckley's campaign nor the grumblings of local Republican leaders bother the Lindsay strategists much. They have to worry about the millions of faceless residents of the drab, low-to-middle income neighbourhoods of the Bronx and Brooklyn, far from the glitter of Manhattan where Mr Lindsay is quite strong. The resentment against the Democrats now in power is probably even deeper among voters in the Bronx and Brooklyn than in Manhattan. But will these habitual Democrats ever vote for a Republican? The method of winning them over taken by Mr Lindsay, no great orator, is to prowl through the city streets shaking hands until Election Day, November 2nd.

At this point, mainly because of Democratic ineptitude, the odds are slightly in favour of Mr Lindsay winning. If he does win, the repercussions will be felt on a national scale. Senator Robert Kennedy, who has shown little inclination and no ability to reorganise the Democratic party in his adopted state, would face in Mr Lindsay a formidable rival for possession of New York's voice in national affairs and perhaps an opponent for Governor or even for President some day. Governor Nelson Rockefeller, who has at long last renounced his ambitions to become the Republican nominee for President but who insists on running for a third term as Governor in 1966, would find himself confronted with a Mayor of New York who would rival him for the leadership of his party in the state. Most important of all, Mr Lindsay would have shown the Republicans how to win elections in areas where Democratic power is entrenched most firmly. Whether the doctrinaires of the right who run the Republican party west of the Mississippi and south of the Ohio River would take note may be doubted. But the Democratic politicians of national standing who have long been worried about their party's loss of vigour and imagination in the cities would pay close attention.

War as Usual

THE truth behind last weekend's argument between President Johnson and Mr Ford, the Republican leader in the House of Representatives, over what Mr Mansfield, the Democratic leader in the Senate, said to the President and over what Mr Ford said to the press may never be known and may not matter much, anyway. What is clear is that Mr Johnson's measures on Vietnam went less far than many people had expected not only in order to impress the rest of the world with the moderation of the United States, but also in order to avoid a debate in Congress which would have shattered the façade of bipartisan agreement which he had built up before making his statement. A debate would have revealed that many leading Democrats distrusted the present escalation in Vietnam, while many leading Republicans (although by no means all) wanted the attack to be an all-out one, calculated to bring the war to a quick and decisive end, whatever the effect on world opinion.

Many military men share this approach and more of them believe that the President should have mobilised the reserves and stepped up military spending sharply. They have long felt that the economies of the last few years have left the defence establishment over-extended for the responsibilities which it has, or may have, to undertake, quite apart from the growing involvement in Vietnam. Perhaps in deference to these views the additions to the number of men in the armed forces—bringing their total strength up to almost 3 million, a figure last reached in 1955—



and to appropriations for defence—$1.7 billion requested now with more, perhaps another $5 billion, to come in the new year—are slightly higher than had been forecast after the President's announcement last week.

Many people think that much more will be needed before a satisfactory solution can be negotiated in Vietnam, perhaps so much more that business as usual will have to be abandoned and the economy put on a war-time footing, with allocations of materials and wage and price controls. But present plans impose no such strains; instead they take up slack very conveniently in the only places where the boom has left slack in the economy—among the unemployed young men, more of whom will now be called up, and in the defence, aerospace and transport industries.

Nor do present plans put any real strain on the Budget. They mean that there can hardly be a repetition of the recent reduction in defence spending; it fell in the 1965 fiscal year for the first time in years. But the President will have a good excuse for going above the dreaded figure of $100 billion, as he would probably have had to do anyway, in the total estimates for spending in the 1967 fiscal year which must be presented to Congress in January. This will not necessarily mean a bigger deficit, since the further cut in taxes which had been planned for next year will presumably now be abandoned; defence spending will take its place as a stimulus for the economy. A tax increase has been ruled out.

As the final figures for the 1965 fiscal year which ended on June 30th show, tax reductions nowadays mean more revenue, not less; the annual growth in receipts, at present levels of taxation and of economic activity, is put at $7 billion. The deficit for last year was only $3.5 billion, compared with $8.2 billion for 1964, although tax rates were lower, and only a little more than half the sum forecast as recently as last January. Unexpectedly high income tax receipts, resulting from unexpectedly high incomes, were the main reason for this. The official comment was that the 1965 Budget would have shown a surplus had the economy reached full prosperity in the 1964 calendar year. One suspects that President Johnson is now dreaming of both a balanced Budget and a victory in Vietnam during 1966.

Striking at the Economy

PRESIDENT JOHNSON said last week that it was war in Vietnam and in war—however remote or on how small a scale—strikers are not popular. The pressure will grow for the striking seamen to settle their dispute, now nearly two months old, and for the steel workers not to carry out the threat which they made last week to shut down ten major steel companies on September 1st. If they were to do so the President might feel that he had no choice but to put the strike on ice by invoking the Taft-Hartley

Continued on page 528

Luxuriously to work

FROM A CORRESPONDENT IN SAN FRANCISCO

After fourteen years of talk the fastest and fanciest suburban rail service that the world has yet seen is moving into reality for the community in and around San Francisco. Suburbanites of the nineteen-seventies will be whisked to their city jobs and back at speeds of 85 miles an hour in an elegant train unlike any vehicle ever before proposed for mass use. It is now on public display, awaiting its first run in 1968, while bulldozers and tunnelling machines build 75 miles of double (and earthquake-proof) railway line underground, under water and in the air for San Francisco's new billion dollar transport system. Its coaches will introduce to mass transit the detailed luxury and fine appointments of top-quality motor cars, including wall-to-wall grey carpeting, special reading lights, deep cushions and 22-inch seats, the widest in any public conveyance in the world. It is expected that the trains will be so frequent that they can carry 30,000 passengers an hour in each direction and give every rider a seat.

The first completely new rail transit system built in the United States since the nineteen-twenties, it has been designed to compete with the private automobile for the daily home-to-work trip and to tempt shopping housewives to leave their cars outside the city. The Bay Area Rapid Transit System (Bart) is betting its $1 billion that some 60 per cent of those who use private cars at present to move about the area can be lured into the high speed trains. And the money is being put up by the voters of the region; they have agreed to pay most of the cost of construction through bonds, to be liquidated over a 40-year period by a local property tax, now running at about $12 a year on the average home and due to rise to $27 a year. The project represents the biggest public works programme ever undertaken by a local community in the United States.

But frequency, speed and reliability, rather than luxury, are the most persuasive features that Bart offers. The entire system is to be controlled by computer, and far more completely than is the case with, for example, the Tokyo-Osaka line, where some similar electronic features are in use. So responsive is service expected to be that even the concept of scheduling by timetable can be eliminated. Bart plans to provide trains, from two to ten coaches in length, at 90-second intervals during peak hours and never, even at midnight, to have waits of longer than 15 minutes between trains. Automation will be so extensive that labour costs and work shifts can be virtually ignored. The computer's brain, responding to such details as weather reports, special sports events and accumulations of passengers at any point, will be able to re-route coaches or call up extra trains in virtually instantaneous response to any assorted set of circumstances which arises.

Ticketing will also be by computer, to avoid not only queueing for tickets but even turnstiles for tokens, though precisely how has yet to be worked out. It is hoped that regular travellers can carry some identifying code card which an electric eye can recognise as they enter and leave, with the machine then calculating the cost of the journey and preparing individual monthly bills for mailing. Fares are expected to start at 25 cents and to average around 60 cents for the normal commuter's one-way trip. Bart hopes to erect a safety shield on the platform between passengers and the permanent way, probably of glass or plastic; the sensitivity of the controls promises that trains will be able to stop within six inches of a designated point, even with rates of acceleration and deceleration of three miles an hour a second, so platform and coach doors can be matched.

The art of subway tunnelling is now so advanced that ordinary traffic on San Francisco's famous Market Street will probably not be interrupted much by the work. Bart is emphasising landscaping and architectural quality in the designs for its stations, with handsome plazas helping to make the American city of the nineteen-seventies a centre for people instead of a centre for vehicles. There must be room for a train 700 feet long to stop at each station, which means that in the city there will be underground openings in two directions providing new levels of access to shops and offices. In suburban stations, the main concern is to furnish free space for one to two thousand cars, each to be parked within a short walk of the platform.

The Bart system assumes that its passengers must reach the suburban line by supplementary transport, either by private car or a network of buses. Its aim is to serve the metropolis by picking up commuters in masses at stops along the way and funnelling them close to the main working centres. How to mesh the fares and schedules of local bus services with the regional system is now being studied; in downtown San Francisco the underground will be double decked with Bart's trains on the lower level and local trains on the upper. There are now 3½ million people in the San Francisco region and 7 million are expected within 20 years. Bart's 75-mile route will serve only the central core, San Francisco, the two big cities across the bay and the fast-growing industrial and bedroom areas around them. But the system can be expanded (dotted line on the map) to reach the whole region when its residents choose.

Bart has the unusual advantage that it is building from scratch, unhampered by existing power voltages, old lines which must

be linked or small-size tunnels which must be used. As a result San Francisco's system can save electricity with a coach lighter than any other in use today, which it can stabilise on a track wider than any in the world (except one in Spain). Bart is deeply committed to research into more efficient ways of conveying electricity, such as applying alternating current to its trains without transforming it to direct current; normally this has been considered essential for maximum manœuvrability.

Bart did not tie itself to the old-fashioned concept of steel wheels on a fixed steel rail, although in the end it has decided that these will function best. Through five years of preparation, it considered every inventive concoction—vacuum tubes to shoot recumbent passengers, massive helicopters, accordion-pleated trains that folded up at station stops. Its engineers were tantalised by the idea of air jets which would abolish the wheel but decided that these could not at present move large crowds at high enough speeds. Monorail was abandoned reluctantly after long and serious consideration; trains suspended in the air would have been far more costly than a conventional system.

All this is part of an intricate network of research projects on which attention is being focused from all over the world. A 4½ mile test track has been built at the easternmost suburban reach of the line and here for the next four years there will be detailed studies of new ideas for power systems, computer controls, deadening sound, brakes, springs, communications between train and station. Beside the prototype of the passenger coaches, which the public has been trekking out to view, three test cars which amount to rolling electronic laboratories are aswarm with specialists and competing manufacturers.

The outcome of all this application of modern technology will be, it is hoped, the conversion of a conventional train system into a revolutionary new service providing speed combined with safety, economy combined with comfort.

Continued from page 526

Act. The companies themselves may be more eager to seek a settlement if they feel that the demand for steel may hold up. Until the President spoke it seemed certain to plummet if there was a settlement because users would live off the stocks which they have built up. Such liquidation is now likely to be less severe.

The seamen's strike has beached about a tenth of the American merchant marine—nearly a hundred ships. But every one needed by the military to [illegible] has been released without delay. It is the damage to the country's balance of payments, not to its war effort, which brought the Secretary of Labour, Mr Wirtz, formally into the dispute last week. There are three trade unions involved, but the heart of the matter is a fight between the engineers and the American Merchant Marine Institute over the number of engineers needed to man modern ships fitted with automatic equipment. The AMMI wants it laid down in the contract that only five are required; the union rejects such a freeze, which it says no other union has had to accept. This may seem a small matter, as there are only thirteen automated ships in service or about to be launched. But by the end of a four-year contract, under present plans, about half of the ships of these lines are to be automated. Moreover, a concession to one union might mean similar concessions to its rivals.

Last week Mr Wirtz proposed, and the engineers agreed to, a six-month truce. During this time Mr Meany, the head of the trade union federation, assisted by a panel of experts, would try to work out industry-wide machinery to deal with the vexed question of manning under automation. Unless there is assurance that it is on the way to solution much wider maritime strikes may break out later this month. But the employers refused. They said they must have a four-year guarantee against strikes. And they also voiced their fear that the government might not approve the eventual settlement for the purposes of subsidy; nearly three-quarters of labour costs on the ships involved are paid by the federal government.

Heads of States

FROM A CORRESPONDENT IN MINNEAPOLIS

THE 1965 Governors Conference which met in Minneapolis last week was faced with no national political controversy of the sort that revolved around the presidential candidacy of Pennsylvania's Republican Governor Scranton at the Cleveland meeting last year and the potentially embarrassing practice of passing resolutions was held rigidly under control. So the heads of state settled down happily to the essential business of their annual gathering—to display the country's chief executives before a national audience and to afford them an opportunity of re-emphasising the function of the states in the American federal system.

An impressive list of persons came to the conference to suggest ways in which the Governors might move, in a period of rapidly expanding activity by the federal government, to make state governments genuinely vigorous and effective participants in solving welfare problems. The progressive former Governor of North Carolina, Mr Terry Sanford, came with Dr James Conant to propose an informal compact among the states for the reshaping of policy for publicly-financed educational establishments. Two economists, Minnesota's Dr Walter Heller, the former chairman of the President's Council of Economic Advisers, and Dr Joseph Pechman of the Brookings Institution, came to discuss their proposal that the federal government should return part of its income tax collections to the states in a lump sum (a proposal which has yet to be sold to President Johnson). The first mayor of the new metropolitan government of Nashville and Davidson County, Tennessee, argued earnestly that the states should offer imaginative help in the reorganisation of urban local government. Mr James Webb, the head of the National Aeronautics and Space Administration, laid out a programme for the standardisation of statistical data among the state governments—a project lacking in glamour but fundamental to all hopes for expanded inter-state co-operation.

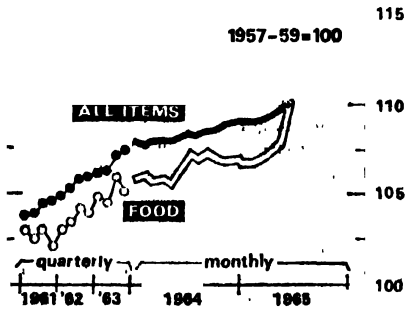
The Governors certainly displayed some interest in these positive proposals for strengthening state government, along with their essentially defensive concern about the tendency of the federal government to by-pass the states in running the anti-poverty programme. The Republican Governors Association, in particular, is at last beginning to move beyond pronouncements of principle into some solid research on new forms of federal-state relations. And almost all Governors are, of course, interested in more money. But generally speaking, in the competition for the Governors' attention the serious question of the future of state government came off poorly in comparison with the President's offer to brief the executives specially on the worsening situation in Vietnam, with the eager attention they received from the national press and with the round of social activities in the spectacularly beautiful weather. Thus there may be temperamental as well as partisan significance in the decision of the Democratic majority that the chairman of the Governors Conference for the coming year (it is a Republican's turn to hold the post) will be not Oregon's attractive and relatively liberal Governor Hatfield, who is potentially of national political importance, but a little-known and colourless individual, Governor John Reed of Maine.

Still Wrestling with Abundance

THE day may not be far off when a hungry world can absorb all the food and fibre that America can produce, as it did during the war. But meanwhile this Administration, like its predecessors, is struggling with the problem of how to keep farmers' income up while keeping down surpluses and government spending on agriculture. An increasingly urban Congress is bound to turn a critical eye on higher prices for food and a yearly bill of over $5 billion for its producers. The President brought off a neat congressional coup when he persuaded representatives of farm states to vote last week for legislation ardently desired by the trade unions; now the representatives of the cities have an obligation to vote for the farm Bill.

The Bill which the Agriculture Committee of the House of Representatives has just agreed upon is in the main uncontroversial. It extends, with small changes, programmes—for dairy farmers, sheepmen and growers of wheat and other grains—which have had some success in reducing government stocks while maintaining farmers' income. Really far-reaching changes are to await the recommendations of the National Commission on Food and Fibre. But there may be fireworks on the floor over the Administration's

CONSUMER PRICES



In the three months from April to June the cost of living in the United States went up by over 1 per cent, the sharpest quarterly rise since 1957. Higher prices for fresh vegetables and for meat were chiefly responsible for the rise and these are thought to be only temporary. Moreover, the index does not adequately reflect improvements in the quality of the goods bought. For these reasons officials do not consider the increase to be inflationary.

plan to shift more of the cost of supporting wheat prices on to processors and consumers through what the embattled millers attack as a "bread tax" that will hurt the poor. Mr Freeman, the Secretary of Agriculture, thinks that the millers should be able to absorb this levy; even if bread were to go up by a cent a loaf, he argues that this is the first "pay-rise" for wheat farmers for fifteen years and that food is a bargain, taking less of the average family's income than it did in 1960. Housewives may be more impressed by the fact that food has never cost so much than by the fact that farm income, though likely to be higher this year than it has been since 1953, is still too low to give most farmers the equivalent of the industrial minimum wage.

What has held up the farm Bill most, however, is not wheat but a solution for cotton, agriculture's present problem child. At a cost of about $800 million a year the existing scheme holds cotton prices high but subsidises both exporters and domestic textile mills. Exports have fallen, government stocks are nearly equal to their historic high and textile prices at home have not declined. The committee's Bill proposes that the double subsidy should disappear, that the support price should be set slightly below the world market price and that growers who cut their production should receive direct payments from the government. This scheme is hotly opposed by the large growers mainly because of their long-standing fear that it would enable small growers to be rewarded more generously than big commercial ones, as part of the Administration's war on rural poverty. Unfortunately the committee's scheme does not promise great economies in the Budget; as it said sadly, it found that in most cases a change that would save the government $100 million would reduce the farmers' income by two or three times as much.

To Enable Negroes to Vote

This week the Senate and the House of Representatives approved a new voting Bill which the President is expected to sign shortly. It was provoked by the violence offered to Negroes in Selma, Alabama, when they tried to register to vote early this year. The main provisions are:

1. **Federal examiners** are authorised to pass on the qualifications of voters in states which impose literacy tests or similar devices and in which fewer than 50 per cent of the eligible citizens voted, or were registered to vote, in the 1964 presidential elections.

2. **States affected** are Alabama, Louisiana, Mississippi, Virginia, Georgia, South Carolina and parts of North Carolina; also, technically, Alaska and parts of Maine and Arizona.

3. **Literacy tests** will be suspended wherever federal examiners are appointed by the Civil Service Commission.

4. **Exemption** from federal voting machinery can be obtained by proving to a three-judge federal court in Washington, DC, that discrimination in voting is no longer a danger; but it is likely to be five years before states in the deep South are exempt, although escape is possible for certain counties where over half of the eligible Negroes actually vote—mainly in Louisiana.

5. **Poll watchers** are authorised and so are **criminal penalties** for those who interfere with intending voters or people or organisations which urge or help them to vote.

6. The **poll tax** still required of voters in state and local elections in four southern states is to be eliminated through the courts, not by a direct ban.

7. **Non-English-speaking citizens**, who are otherwise eligible, are to be allowed to vote if they have completed six years of education in an American school where the teaching is not in English: in effect these are Puerto Ricans.

Union Pure

THE anti-trust authorities let it be known last week that, for the present at least, they would not challenge the largest merger ever to take place in the American oil industry: the take-over in mid-July of the Pure Oil Company by the Union Oil Company of California. This does not rule out government objections at some later date, but it diminishes their likelihood. The enlarged company has assets of over $1.6 billion and now sells petrol from coast to coast. This merger presented the new head of the anti-trust division with his first big decision, and conceivably his crusading predecessor might have decided differently. But the two companies involved evidently did not think so; their tentative decision to merge was made in February.

Pure Oil, a firm whose sales have doubled but whose profits have remained stationary in the past decade, has been pursued by a variety of suitors interested in its reserves of oil and gas, its four refineries, its pipeline interests and its distribution system covering twenty-five states. The courtship has been going on for over a year and some of the candidates lost interest. But others offered the Pure Oil shareholders more than did Union Oil. Two things seem to have carried the day for the winner. One was its willingness to give seats on the Union board of directors to two men from Pure Oil; one of them was its president, Mr Milligan. The second factor was the belief that a merger with Union Oil was the only one which the Department of Justice would not contest—even though it was known to be studying its effects. Union is a west coast firm and its retail markets do not overlap those of Pure Oil in the Mid-west and South. A merger with Pure also offered Union outlets for its heavy oil products. Large though the merger was, it did not threaten, as have others to which the Department of Justice has objected, to diminish competition; indeed, it may well strengthen it.

Constitutional Spanner

FROM A CORRESPONDENT IN COLORADO

THREE states — Nebraska, Wisconsin and Oklahoma — have already ratified the proposed 25th Amendment to the Constitution. This provides for the selection of a new Vice President when there is a vacancy (as there was after Mr Kennedy's death) and for the Vice President to take over when the President is unable to exercise his authority. Wisconsin claimed the honour of being the first of the 38 states whose ratification is necessary, but Nebraska now says that it acted a day earlier.

More important, since 13 states can frustrate this attempt to bridge a constitutional gap, is the defeat of the amendment, at least for the time being, in Colorado. The State Senate favoured ratification by 19 votes to 12 but this was five votes short of the required two-thirds of all members. All of the opposing votes came from Republicans, who centred their fire on the section which permits the President, in case of a vacancy in the office of Vice President, to name one "who shall take office upon confirmation by a majority vote of both houses of Congress." The critics argued that this might put a man in the White House who had never been elected by the people. They also argued that a President superseded because of a disability might be prevented from resuming his rightful place when he had overcome his disability. Colorado is unlikely to change its mind before new legislators are elected in the autumn of 1966—if then. Most State Legislatures have now adjourned. Some will not be in session again until 1967 unless recalled specially.

Correction: The head of the Federal Bureau of Investigation is, of course, Mr J. Edgar Hoover, not Mr Herbert Hoover, as stated incorrectly on page 439 of *The Economist* of July 31st.

BRITAIN

Mr Peart's Shiny Package

THE Minister of Agriculture is a revolutionary—a cautious one, to be sure, and not quite the sort of one that he was expected to be—but a revolutionary all the same. Two white papers came out of his ministry this week. One* starts to do some of the things that British agriculture has needed for years. The other† is anodyne, possibly useful, certainly the best sort of solution that could have been found if Mr Peart were in fact to fulfil one of his more vacuous pre-election pledges.

There are 455,000 farm holdings in Britain now. Of these, some 115,000 are viable and often highly profitable, producing over two-thirds of the domestic output of food. Of the others, 113,000 could be viable. That leaves almost half the farms in the country below the commercial line. The social problem caused by the continued existence of this quarter-of-a-million "uncommercial" farms (to use the Government's new and just epithet) is what calls over £300 million in farm subsidies each year out of the taxpayer's pocket—even if small farmers are not necessarily the chief beneficiaries. But the uncommercial farms do, meanwhile, have a lot to offer the nation. Some of them could, if they were properly run, and amalgamated with others to make units of adequate size, become commercial. All could spare manpower that the nation needs for other purposes. This is what the Government's really very good white paper on farm structure is about.

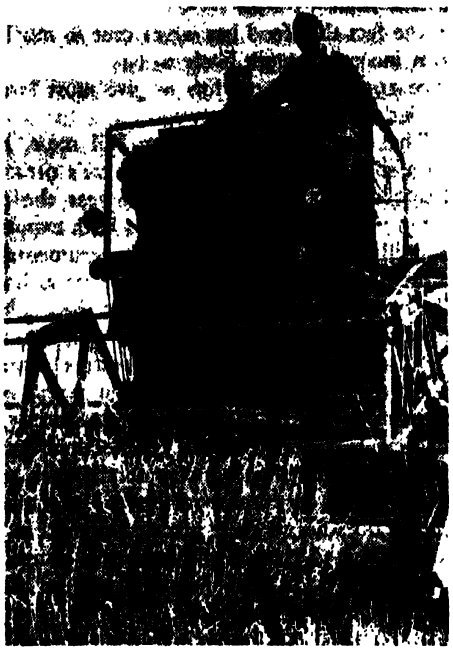
There are three main proposals. The first, frankest and newest is that the small farmer should be helped to get on or to get out: the unviable units should be helped to amalgamate around the nucleus provided by the almost-viable ones. Producer co-operatives should be encouraged, to give the advantages of scale where the fact is unattainable. *Bona fide* farmers selling their holdings for amalgamation should be paid to go away, with lump grants or retirement pensions to enable them to get out of the business without suffering hardship. This is a nation-wide scheme, which might admittedly land the state with ownership of a certain number of unwanted and unviable farms, and which—because it rightly relies on voluntary sales of these farms, and does not as yet include a threat to withdraw subsidies from farmers who choose to go on relying on them to support a way of life that they prefer—may not start to bite at once. The Ministry reckon it should double the rate of farm amalgamations, from 3,000 a year now to 6,000 by 1970, at a cost of around £15 million. This is a real start on getting the structure of British agriculture right.

This scheme includes two sub-schemes. One is for hill farms. Here, rather idiotically, the existing special subsidies to hill farmers would be put on a permanent basis: and the holders of hill farms enlarged and amalgamated under the nation-wide proposals would get special help to improve their land. It seems absurd, but may have been politically inevitable, to make hill farming more attractive just when hill farmers are being bribed to give up the unequal struggle.

But certain really desperate regions would come under a new sort of Rural Development Board, which would put agricultural development down where it belongs in the order of priorities along with forestry and tourism. The boards would have special planning powers to designate stretches of ground for specific uses: and they would be able to step in to buy any land coming on to the market in order to further its purposes. The germ of the right idea is there—that hill country may have value as a playground, but not for much else. The development boards will work closely with the new regional planning boards and councils: they should be sufficiently urban-minded to take the steps that a Ministry of Agriculture itself can hardly be expected to take, in the direction of getting some land out of cultivation of any sort.

Under the shadow of this genuinely—if cautiously—revolutionary document comes the fulfilment of one of Labour's more ineffectual general election promises. The party had promised to set up a commodity commission for meat: some farm interests had hoped that such a body could be a means of hampering imports, and getting the meat trade into the grips of the home producers. In fact, the proposed commission would have no powers at all to intervene in the market, and would merely be a "well-informed source of advice" to the Government on imports.

The commission, financed by a levy on home-produced carcasses of all kinds, would concern itself with pressing ahead technical improvements within the industry, concerning breeding, grading, marketing and so forth. It can do no harm, and need not cost much to help along the inefficient: and efficient farmers need subsidising less than inefficient ones.



Economic juggernaut: Chancellor Callaghan up

* The Development of Agriculture. Cmnd 2738. Price 1s. 3d.

† Marketing of Meat and Livestock. Cmnd 2737. Price 9d.

PUBLIC SCHOOLS

Jesuits in a Jam

BY OUR ECCLESIASTICAL CORRESPONDENT

THE announcement that one of the most distinguished Roman Catholic public schools in Britain, Beaumont College at Windsor, is to go out of existence and be merged with another Jesuit foundation, Stonyhurst in Lancashire, came as a bombshell to the Catholic community last week. Beaumont was founded by the Jesuits in 1861 and only four years ago celebrated its centenary, an event graced by the presence of the Queen and commemorated in a £100,000 trust fund specially raised for the occasion. By contemporary standards Beaumont is a small school with 260 boys aged 13-18, while Stonyhurst, its swallower, has 370. Stonyhurst is the older foundation originating at St Omer in the Netherlands where it was opened in 1592, and moving to Lancashire in 1794 where it has remained ever since. The schools are similar in ethos, with fees around the £450 mark, but Stonyhurst has rather higher academic standards.

Detonator of the bombshell was a Canadian Jesuit, Fr Gordon George, who for

the past eighteen months has been carrying out a "visitation" of the English province. These periodical inquests are provided for in the Jesuit constitutions, but one has not taken place in England for thirty years. The visitor found that Jesuit manpower in England was suffering from depletion and over-commitment. There are 870 Jesuits in the English province (15 years ago there were over 900) and the society has undertaken heavy commitments overseas, with 150 English Jesuits in Rhodesia and another 50 in British Guiana. The visitor felt that the two schools were unnecessarily duplicating each other's work and that a merger would serve efficiency. The new Jesuit Father General, the Spaniard Don Arrupe, agreed.

Rationally the Jesuit decision to close Beaumont has much to commend it; but their over-calculated announcement, timed to forestall criticism, has in fact been extraordinarily inept. Deliberately, no consultation took place with the Old Boys' Association and none with the parents, who were presented with a *fait accompli*. The Canadian visitor clearly underestimated the explosive emotions which constellate around English public schools. Sir Charles Russell, a Lord Justice of Appeal and a leading old boy, wrote a blistering letter to *The Times* on Monday, criticising the Society in language which was distinctly unjudicial. Since then an unofficial committee of old boys has got together in an attempt to save Beaumont. Approaches are to be made to Mr Crosland—the Minister of Education, but hardly a champion of the public school system—to intervene. Since Beaumont is a fully independent school it is difficult to see what he can do. The committee hopes that some way can be found of continuing the school, either staffing it with members of some other religious order or running it as a lay school. Some years ago the Oratory School was saved from extinction by turning it over to a lay committee, but whether such a solution would be economically viable for Beaumont is dubious. Employment of members of a religious order in teaching gives Catholic schools a vital subsidy, since they draw no salaries but only their keep.

Meanwhile the Jesuits, who so far have acted with a bluntness and lack of tact which is most unjesuitical, have recovered the initiative. This week the Society has issued a further statement declaring its willingness to hand Beaumont over, land, buildings and trust fund, to any reputable organisation which can give some guarantee of continuing it as a public school. Whether this is a practical possibility is very doubtful, but the proposal has the merit that it should divert the energies of the infuriated old boys away from the embarrassing, or satisfying task of castigating their former teachers into more constructive channels.

TRADES UNION CONGRESS

Collective Views

THE prize for the shortest and bluntest resolution on the TUC's preliminary agenda goes to the Watermen, Lightermen, Tugmen and Bargemen's Union, which "rejects the Government's present productivity prices and incomes policy." Fortunately for the Government there are a number of other resolutions on the same subject expressing different shades of conditional support for an incomes policy. Many of the qualms are from white-collar unions in public service who not without reason feel they can be leant on most easily to keep in line, if others cannot be. The Boilermakers, who last year called for all out support to get the Labour party into power, identify a "planned economy" as being based on public ownership of the basic industries and the land, and in this context "opposes any form of wage restraint and declares that collective bargaining backed by trade union organisation is the most effective way to secure these improvements [in wages and conditions]" *Et tu* Ted Hill, even from retirement?

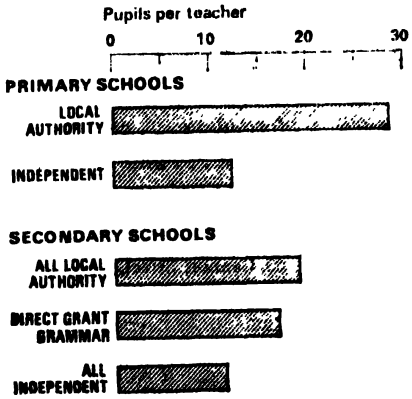
But it is only natural that the unions should be touchy about policies which expose their own trickiest problem. Under the section on trades union organisation and practice, the Engineering Surveyors Association says much the same thing, affirming belief in "collective bargaining and freedom to negotiate wages, salaries and conditions generally, divorced from any directives at Government or Ministry level." If unions are not to be for this sort of thing, what should they be for? Paradoxically, both traditional union organisation and the enforcement of a clear-cut incomes policy are hard to reconcile with the most sensible type of efficiency agreement at local level; the sort of agreement that may raise pay as part of a deal to cut costs. But discussion in these terms would demand a degree of detachment far beyond any that can be expected from trades union congressmen, just as (*pace* the agenda) railwaymen and miners cannot be expected to be totally unbiased critics of transport and fuel policy.

But perhaps it is not asking too much to hope for open-minded discussion of one matter closely affecting the TUC itself. Two contrasting resolutions end the list. One, from the AEU, reaffirms total support from the industrial wing of the trades union movement for the Labour government as a means to "economic stability and the expansion of industry." This is followed by a resolution from the bank employees calling for an a-political basis to TUC membership and, as a matter of urgency, the creation of means whereby industrial and economic debate could be differentiated from political debate of interest only to unions with particular affiliations. If the TUC can see its way to taking this advice, it will have performed a managerial revolution of its own. It is worth remembering that the bank and other white collar unions now enjoy, for the first time at an annual congress, the fellow-membership of the biggest of them all, the National and Local Government Officers' Association.

SUMS ABOUT SCHOOLS

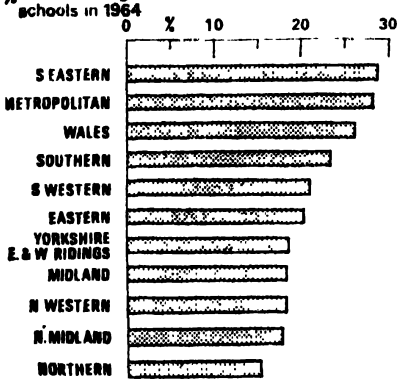
The Department of Education has published the first part of *Statistics of Education* 1964 (HMSO. 15s.). The figures are in some ways rather encouraging. More and more young people are staying on at school voluntarily. The number of pupils per teacher has improved in recent years, the short-fall of teachers being made up by an enormously increased supply of women returning to teach after their children have grown up a bit. But there are still startling differences between the regions in school-leaving habits: and the chief educational advantage that parents buy when they send their children to private schools is clearly shown by the staffing figures in the chart.

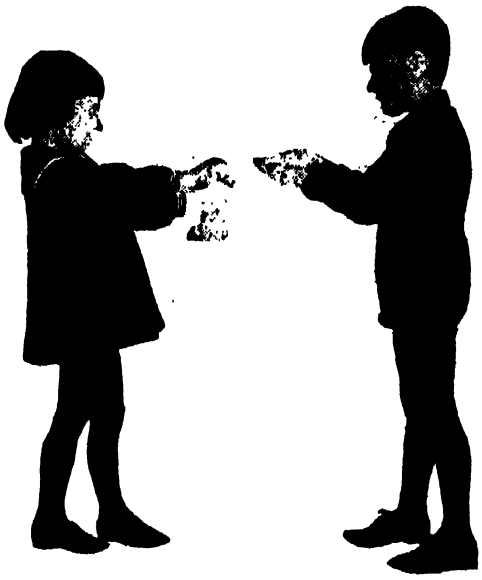
Staffing ratios



Drop-outs and Stay-ins

% of children aged 13 in 1961 still at maintained schools in 1964





Five Jelly Beans For One Wet Frog

We have to confess this is about the only transaction that's a little out of our line. Although many of our Mitsui executives got their early training this way. But now they've become somewhat more sophisticated in the intricate business of international transactions. (They have to, to be part of a trading company with 280 years experience in such transactions.)

Since the phenomenal renaissance of postwar trade, Mitsui has been playing a key role in the equalization of national economic differences. This is a role it is well suited for, more than most.

With its vast diversifications, comprehensive and integrated services, innumerable offices and seasoned executives on every continent, Mitsui can truly claim to have the most elaborate and efficient trading network in the world today!

Whatever you wish to find . . . finance . . . formulate . . . construct . . . mine . . . refine . . . place . . . machine . . . ship . . . insure, Mitsui will set it up . . . settle it . . . and faster and more satisfactorily than anybody else.

Wherever you are, whatever your problem, a Mitsui executive is just around the corner with the right answer. (As long as it isn't jelly beans and frogs.)

London Branch: Second Floor, Bucklersbury House, 83 Cannon Street, London E.C.4, England Tel: City 6454

MITSUI & CO., LTD.

2-9, Nihi Shimbashi Itchome, Minato-ku, Tokyo
Cable: MITSUI TOKYO Telex TK 2[illegible]

BOOKS

A Synthesis of Economics

The Stationary Economy: *Volume One of Principles of Political Economy*

By J. E. Meade.

Allen and Unwin. 238 pages. 35s.

It is a long time since anyone attempted to write a treatise, as distinct from a textbook, on economic analysis in general. Professor Meade has taken the plunge, however, and here is the first volume of "Principles of Political Economy." Its preface explains what Professor Meade is aiming at. Recent writings, he points out, have been highly specialised and highly technical, so that there is a need for a synthesis which brings the work of different specialists into a mutual inter-relationship and which does not rely upon high-powered mathematics. Thus his book, to use his own phrase, "specialises in generalisation."

This is a splendid and bold idea. Professor Meade is a master of lucid and rigorous theoretical exposition, using no mathematics save the geometry which, for some curious reason, the literate but innumerate English-speaking world can tolerate. Thus he is able to expound many involved propositions that have hitherto seen the light of day only in algebraic guise.

The scope of this first volume is fairly narrow. It deals with efficient resource allocation in a stationary economy where constant returns prevail, indivisibilities are absent and there are no intermediate goods. Growth, international trade, government expenditure and monetary matters make no appearance. There are just consumers, factors of production, products and an abstract organising principle: perfect competition to start with and central planning later on. Thus the analysis deals with indifference curves, contract curves, equi-product curves and so on. Exposition proceeds from one factor to several, from one product to several and from variable proportions to fixed proportions, so that linear programming and central planning follow geometry and perfect competition. Within this field, the exposition is comprehensive. There are many originalities, but they are minor ones, being points of exposition rather than new theorrems. This, of course, is just what one expects in a work of synthesis which brings together existing contributions in a very extensive literature and fills in the gaps.

Professor Meade is in no doubt about what all this abstract analysis is for. It is to inculcate a way of looking at things which, supplemented by empirical inquiry, will help an economic policy-maker to reach sensible decisions. It does not itself provide a single answer to any policy question, but a drilling in it is useful. Now this is rather like the argument that Latin is an essential part of a good education because, although no one actually speaks it, a knowledge of its structure does facilitate the use of other languages and does reduce the likelihood of sloppy thinking. The trouble is that both Latin and Professor Meade's book are rather boring. Only a minority can enjoy them much, and a good deal of school or self-discipline is required to drill the majority of people in them.

This obviously raises the question of whom this book is intended for. Unlike Marshall's, Taussig's and Pierson's Principles, Professor Meade's contains no empirical statements but only abstract models. Thus, despite the fact that, formally speaking, it requires no prior knowledge of economic theory, no one who lacks such knowledge is likely to read it. Businessmen and civil servants certainly will not. So it looks as though its readers will only be students, who can be pushed through it for the good of their souls, and the cognoscenti of advanced economic theory, who will eagerly search it for omissions or errors on their own pet topics. Admiration for Professor Meade's expository feat is therefore tempered by regret that the book is not more directly helpful to applied economists.

A Poor Case

A Curtain of Ignorance

By Felix Greene.

Cape. 359 pages. 35s.

The big flaw in the Case of Greene vs the Press of the United States (and, in passing, of Britain) is that the prosecutor is as guilty as the defendant. Mr Greene has assembled a massive battery of quotations from the press coverage of China in the last thirty years. He has organised them into the categories of major misconceptions about China to prove that systematic distortion and repression by the mass media have created "a curtain of ignorance" between the American people and the real China. Certainly the evidence is damaging and does much to explain the peculiar strength of public feeling that has made American politicians so wary of any shift toward realism in China policy. But if the American press must stand convicted of malpractice and deceit, Mr Greene consistently uses the same questionable methods he attacks.

He assumes that behind almost every printed word about China lies an *a priori* image shared by editors, reporters and evil geniuses of the State Department—an image of China as a warmongering nation of 650 million slave labourers on the brink of starvation and political collapse. He asserts that, especially since the Korean War, journalists have moulded the news to fit this image, by selecting only the facts that support it, by taking data out of context, by sensational headlining and by outright lying.

But what of Mr Greene's own standards of objectivity in his picture of the press? How is it that he selects only two out of more than 150 articles in the only English journal specialising in Communist China and, after attacking their views at length, brushes aside critical comments on them published in the same periodical? How does he justify his own technique of abbreviating and isolating quotations so that they take on entirely different meanings? What of his categories in which the ridiculous, the sensible and the irrelevant are so linked that all negative appraisals are made to appear foolish by association?

And what of the image of China which Mr Greene offers as the measure of truth? How has he selected his facts to omit even such mistakes of management and expressions of disaffection as are admitted in the Chinese press itself? Is is just the clear light of reason that sees the Chinese as lily-white and blameless in their actions in Tibet and on the Sino-Indian border? How has he chosen the witnesses for the prosecution —outright apologists, casual observers and reputable experts—all given equal credence and identified as knowledgeable and neutral?

With the benefit of hindsight, Mr Greene has succeeded in revealing innumerable instances of ill-informed speculation about China from vantage points in Hong Kong or New York. No doubt similar misjudgments are being made today by pundits outside China—especially since the Chinese are loth to publish things like economic statistics. But one cannot assume that all appraisals by scholars who follow mainland newspapers and documents are by definition invalid and that all observations of visitors on the spot must therefore be accepted as gospel. In fact, untutored reporting from totalitarian countries is often of dubious value, as the experience of Western journalists in the Soviet Union has repeatedly shown.

While Mr Greene is justified in blaming the American government for its part in excluding American journalists from China, he might note that a number of British scholars and journalists who speak and read Chinese are regularly refused visas. Why, if Mr Greene's happy prosperous China speaks for itself?

Rules Up Yonder

Space Law

By C. Wilfred Jenks.
Stevens. 494 pages. £5 10s.

Conflicts of Law and Divergences in the Legal Regimes of Air Space and Outer Space

By Daniel Goedhuis.
A. W. Sijthoff, Leyden. 84 pages. No price given.

Dr Jenks, whose rate of scholarly output never ceases to be amazing, has turned his attention in characteristic fashion to the question of space law. One describes this venture as "characteristic," because Dr Jenks is interested above all in what we may term the frontier problems of international law. His interest in international law and trade unionism, as well as in international law and personal welfare, reflects his preoccupation with the effects of changing technology upon world order. It is wholly understandable, therefore, that he should now turn his attentions to space law. Space law is still in its infant stage, and there are those who argue that it is speculative theory rather than confirmed law. The author answers this—and in so doing may be said to be restating his general philosophy—when he writes:

> While [the lawyer] cannot create law by imagining it, he can prevent or disastrously retard its creation by failing to be imaginative. When he cannot advise with confidence that a firm legal obligation exists he can at least refrain from asserting that no such obligation exists in such a manner as to destroy or greatly delay its coming into being.

It is for this reason that he attaches considerable weight to unanimous resolutions of the United Nations General Assembly on space law, even though such resolutions are not legally binding in the narrow sense.

The book provides the reader with some basic scientific facts, and then proceeds to trace chronologically the scientific breakthroughs of 1957-64, from Sputnik I to Electron II. The author goes on to describe the attempts of scientific bodies—such as the International Council of Scientific Unions (ICSU) and its Committee on Space Research (COSPAR)—to come to grips with the political, military, scientific and technological problems involved. Although the continuation of the work of such bodies is essential, there are fundamental reasons—well observed here—why scientific co-operation alone was not enough. Operational activities in outer space for telecommunication, meteorological, navigational, and astronomical purposes require a minimum code of international regulations. Scientific co-operation has thus turned to the United Nations itself in evolving a workable regime for outer space.

In one chapter Dr Jenks summarises the work done in the field by the United Nations and its agencies—though the International Telecommunications Union, the World Meteorological Organisation and the International Maritime Consultative Co-operation are regulatory rather than operational bodies. From here the author moves on to regional joint ventures and to bilateral arrangements concerning the use of space. His discussion of the difficult question of a role for private enterprise is, however, disappointingly cursory. Some eighty pages are devoted to a wide survey of the literature on space law. With one or two exceptions, individual authors are not dealt with in any depth, but the range is admirable, covering not only Western European and United States writers, but also the contributions of Soviet, Eastern European, Asian and Latin American jurists.

The remainder of the book is devoted to the law; it runs through virtually all of the legal problems that have arisen in the course of attempts to regulate the use of space: sources, demarcation, exploration, appropriation, state responsibility, notification, registration, identification, recovery, tracking, return of space objects, communication satellites—all these, and more, are covered. The fat appendix of documents is invaluable.

Dr Goedhuis's admirable Hague-lectures cover some of the same ground, but they are narrower in scope and deal with certain aspects, such as liability for damage, in greater depth. Together, these two recent contributions are essential additions to the bookshelves of the space-minded.

Region without Unity

South and East Asia since 1800

By Victor Purcell.
Cambridge University Press. 238 pages. 25s. (School edition 15s.)

This short book is a summary of the happenings since 1800 in Burma, Thailand, North and South Vietnam, Cambodia, Laos, Malaysia, Brunei, Indonesia and the Philippines. A generation ago the map would have shown French Indo-China, British Malaya, the Dutch East Indies and Siam, with only Burma and the Philippines (and little Brunei) unchanged in name. Much has happened.

But not much happens in south-east Asia of itself; these countries have been and still are the playground of outside influences. The author traces to their origins in India, China, Europe, America and Japan the forces that have made the peoples and nations of today. That process of flux and crystallisation, as seen by an observer in Malaya, is the theme of this book. And no one could have been more professionally qualified than Victor Purcell to describe the scene he knew so well in the late days of empire and studied so carefully after his retirement from Malaya.

And what a picture to paint: of the only peoples of the world for whose souls Hinduism and Buddhism, Islam and Christianity have competed on equal term; for whose votes Marxism and Hellenism are now battling; peoples so divided by a fifteenth century pope that to this day the aeroplanes fly in the directions he decreed—from the Philippines east across the Pacific by the way the Spaniards came, from Indonesia and Malaysia west along the trade routes of the Portuguese, Dutch and British.

But no. It just cannot be done—not even by Victor Purcell and the Cambridge University Press—the story of south and east Asia since 1800 in 214 pages. The very words of the title, and the apologia for them in the preface, point the difficulty. Here there is no name with a meaning as "Europe" has a meaning. Here there is no unity, despite the two pages of argument for it—geographical, cultural and historical. What modern Malay would agree that the burial of the dead in jars and the taking of omens from the entrails of animals is evidence of a cousinly relationship with the Burmese? (The Tunku prefers a round of golf before breakfast as a preliminary to battle. Whose cousin does that make him?) And the nearer history of the nineteenth and twentieth centuries—expert, traditional, paternal as seen through the eyes of a British historian—is dynastic, of governors and residents, of trade and the rubber tree, of colonial rule and the nationalist reactions against it. It is mostly true (though some names are at variance with the Malaysian constitution); it is skimped to fit the length desired; and one wonders what other themes and persons will balance these when a Malaysian or Indonesian historian takes a cool look at history, and rounds off the whole truth.

For most of the people of south-east Asia history starts today; others hope it may start tomorrow; for few has history a yesterday; not yet can we expect a balanced assessment of the past as seen through local eyes. But one craves for one. Meantime this is a book for the shelves of all who need to know the facts antecedent to the nations of south-east Asia (and that means most people), but who have no time for deeper reading.

Mid-Victorian Labour

Karl Marx and the British Labour Movement: *Years of the First International*

By Henry Collins and Chimen Abramsky.
Macmillan. 367 pages. 42s.

Before the Socialists: *Studies in Labour and Politics, 1861-1881*

By Royden Harrison.
Routledge and Kegan Paul. (Studies in Political History Series.) 381 pages. 55s.

These two books are complementary. Dr Harrison's lucid and scholarly essays cover basic themes in mid-Victorian labour history, challenging established generalisations and presenting a remarkably vivid picture of politicians, trade unionists and intellectuals. Dr Collins and Mr Abramsky are concerned with one theme only—Britain's role in the First International, founded in London in 1864 at a meeting attended by many of the people described more fully

WHITE MAN'S COUNTRY

It is wrong, and we detest it, but detestation will not remove it. Here is a suggestion for alleviating the [illegible] of a [illegible] minority of the oppressed by [illegible] with the oppressor.

A black African might sum up the pages to follow like that, or in stronger words. They are about southern Africa, most particularly the republic of South Africa: [illegible] power, the four million or so whites [illegible] Africa are in such a strong position (see page vi) that if change is to come at all it will have to be with their acquiescence. The [illegible] the West should seek to initiate change [illegible] proposals that might lead towards [illegible] from the white chiefs appear on page xii.

Dr Verwoerd, prime minister of South Africa, has neither horns nor tail. Yet for the 7[illegible] million Africans who live in the "white" 87 per cent of this republic there might well be written above the doorways: *[illegible]* One feature of South Africa's [illegible] oppression is that it covers almost every aspect of life.' (See pages vii to xii.) The system affects white lives too. No sensitive citizen can be happy with the position of his country as the "pariah of the world" (an Afrikaner description). Nobody is truly free who, when alone, fears the black man—or black criminal—in the streets at night. No democrat-at-heart can happily witness the creeping advance of police-state methods in his country, especially when he knows that these methods are necessary to make him secure—that he prefers the secret police to the prospect of introducing political safety valves into the system.

These three pages are as concerned with the fate of white South Africans as they are with the blacks. It would not make any sense if one kind of oppression were replaced by another, or if widespread chaos and bloodshed were introduced where none now exists. It is true that white South Africans are responsible for a government that behaves abominably towards most non-white South Africans. But the problem of one sort of people set down in the middle of another sort is terrifyingly difficult. The way to a less hellish South Africa does not lie through pillorying white South Africans, but rather through helping them to change the situation in which they find themselves. This, at its base, is that they enjoy one of the highest standards of living in the world, while they are scared stiff of waking up from their present Hollywood dream life to find themselves an oppressed minority in a black-governed, black man's country.

One way of tackling granite is to chip at it. Southern Africa taken as a whole approaches, in area, the size of the United States. The problems of its constituent parts are discussed piecemeal in the pages that follow, with special articles on the Portuguese colonies of Angola and Mozambique (page xxvi); the British colonies of Bechuanaland, Basutoland and Swaziland [illegible] and the independent African states of Malawi and Zambia (page xvi). If economists ruled the world, this area could be different (see pages xxi to xxv). As it is, its nearly 40 million people have yet to find political peace. The first article explains why the West should care. The last article (page xxx) is an Afrikaner's reply.

A SURVEY OF SOUTHERN AFRICA

This year one country will buy more than £224 million worth of British Goods

WILL YOU HAVE A SHARE IN THIS GROWING MARKET?

£224 million was the value of British exports to South Africa in 1964. And it will be bigger this year. More important still, South Africa gives Britain her biggest favourable trade balance, amounting to £82,000,000, more than twice the size of that of Britain's next best customer.

Last year South Africa was Britain's best export market for motor cars, lorries, coaches, agricultural machinery, telecommunication equipment, railway vehicles and ships.

South Africa is traditionally a British market. A tremendous range of British goods sell well in South Africa. Sixteen million South Africans buy similar goods to those sold here and they appreciate and are used to British quality. So you've already got a start in this vast and varied market where over 700 British firms have already staked a claim involving an investment of over £1,000 million.

South Africa's national income has doubled in the past ten years. Its spending power increases every year. So do your opportunities to sell.

Why not look at the very real export and investment opportunities in South Africa.

SOUTH AFRICA

Further information is available from the Office of

The Commercial Counsellor,

South African Embassy, Trafalgar Square, London, W.C.2

For the complete picture of Southern Africa...

. . . get in touch with the Standard Bank. The Bank will bring into focus all the information you need for trading in these fast-growing markets . . . information that is a part of the comprehensive service provided by one of the world's most modern banking organisations.

THE STANDARD BANK

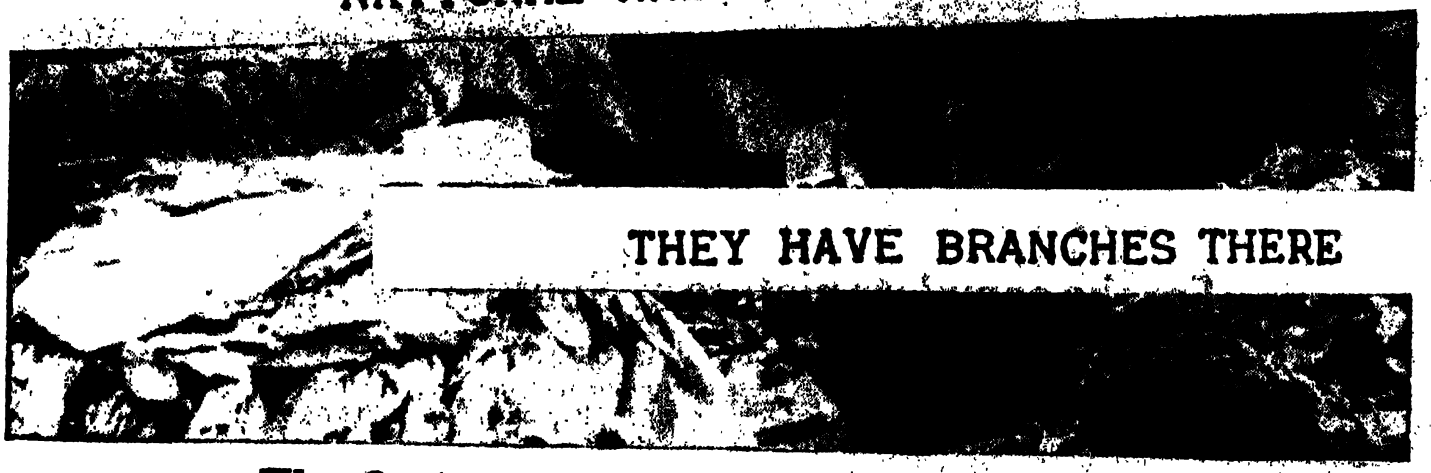
TOGETHER WITH

BANK OF WEST AFRICA

Head Offices: 10 Clements Lane, London EC4
Other London Offices: 63 London Wall EC2,
9 Northumberland Ave WC2, 117 Park Lane W1

OVER 1100 OFFICES IN EAST, WEST, CENTRAL AND SOUTH AFRICA

NATIONAL AND GRINDLAYS —



The first step to market information on Rhodesia is to take a note of the name and address of the bank that lives there.

NATIONAL AND GRINDLAYS BANK LIMITED

Head Office: 26 Bishopsgate, London, EC2

[illegible]

Bankers to the Government in Aden, Kenya, Uganda, Zanzibar [illegible]

Banking Correspondents throughout the world.

WHY SOUTH AFRICA IS THE WEST'S BUSINESS

Successive South African governments have argued that it is a cardinal principle of international affairs that countries do not seek to poke their noses into one another's business. Everything in this survey contradicts that principle.

In the United Nations it has long been decided that the internal policies of the republic of South Africa are a proper subject of world discussion. Twenty years of resolutions condemning apartheid began with discussion of the treatment of South Africa's Indians at the first session of the United Nations in 1946. It may be that the steady shrinkage of the world is being accompanied by a steady enlargement of the case for considering whether or not there are certain things that no government can do without arousing the expressed concern of others.

But why particularly South Africa? And why should the West be called upon to move South Africa to cure its own sickness? There are two answers: moral and political. The moral ones had better come first.

South Africa is a special case because its form of discrimination is racial and unashamed. All oppression is abhorrent. Today, with the coloured nations of the world independent, oppression based on race is most widely and passionately abhorred. Yet the South African government takes pride in its system (which it calls "separate development," not oppression or discrimination), and South African law entrenches, in fine and public detail, the proud and public view that no black man shall step across the white line. India's caste system has inflicted misery on millions of untouchables, but at least the Indian government is officially trying to abolish discrimination against them.

But why is the West so often called upon to be involved? The short answer is that South Africa is at least as much part of the West as Australia, and for Europeans it is a good deal nearer. Four out of every ten of its white inhabitants speak English at home; most Afrikaners and literate Africans have a good knowledge of English. The country's two white groups originated in Britain, Holland and (providing the Afrikaner strain) France. Its own new language, Afrikaans, is a child of Dutch and a member of the western family of languages and laws. Its law is Roman-Dutch, its history that of the Dutch and British empires, its literature that of the West. Most of its whites (120,000 Jews apart) are Christians; so are a high proportion of its non-whites.

Two-thirds of the West's gold is produced in South Africa; a thousand million pounds' worth of British investment lies in the republic. It is a country of proper roads and buses, railway lines, motorways and industries, and a jammed telephone system. Divide the world any way you like—according to language, history, culture, trade, religion, investment—and South Africa comes out on the West's side of the line.

These are the grand links. There are thousands of smaller ones—the daily messages that pass between the headquarters of virtually every large company in Britain and a good handful in America and other South African branches or subsidiaries; the [illegible] finally the [illegible] winning views on its own [illegible] Mr. Macmillan, then [illegible] South Africa was forced to [illegible] Commonwealth.

Englishmen and (white) South Africans at cricket: more than playing games unites the two.

Because it is part of the family South Africa cannot be ignored. The British Council of Churches in its special report published this year on "The Future of South Africa" suggests "dissociation" as a first step in a policy for South Africa. This is not possible. National boundary lines set the republic apart, but everything else makes it as much a problem for the West as the problems of the Negroes have been for America, or the Algerians were for France. For the Atlantic world, South Africa is the worm in the bud.

The other side to all this moralising is political. The Tory member of parliament, Mr Patrick Wall, told Birmingham Young Conservatives earlier this year that there were two views about the future of Africa. "The extreme left of both [British] major political parties, the Liberals and the American State Department believe that Africa is a black continent and that the whites are only there on sufferance," he said. "If their presence becomes embarrassing to Britain or America they should get out." Mr Wall went on:

> The contrary view which, I believe, is shared by the bulk of British people is that not only is the contribution made by the white minority essential to the future well-being of the whole continent, but that should the present division of the world between "have" and "have-not" nations continue, then for strategic and economic reasons the four million whites in southern Africa may well become vital to the security of both Europe and America.

Mr Wall's arguments are sound; the trick is to draw the right conclusions. The security of Europe and America, in a strictly military sense, would undoubtedly be best secured by making sure that the politically "safe" whites keep control over the southern part of Africa. In this way overflying rights, the port of Simonstown, and all the other uses of that strategic area would be secured for the West. The trouble is that to act upon this line of thinking is a sure way of losing the political battle, not only in Africa but in Asia as well. Precisely because southern Africa is a part of the West its politics are a liability for Europe and America; this fact is the new white man's burden.

The most recent expression of this is not the series of anti-western resolutions based upon South Africa that get passed by the Organisation of African Unity. A greater threat is that the Africans, in their search for means of overthrowing apartheid, will

WHERE MIGHT IS WHITE

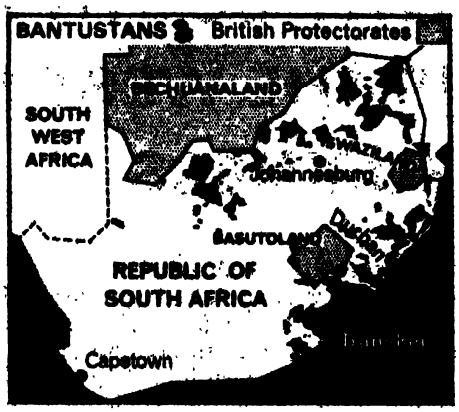
MEASURED by every kind of strength, Africa's white south is where the power lies on the black continent; these maps show it. Most important of all, southern Africa's white men command the only truly effective military power in Africa south of the Sahara. By all current experience (the Congo, Angola) the quality of the white soldiers is far higher than that of their untrained, usually ill-equipped, black counterparts.

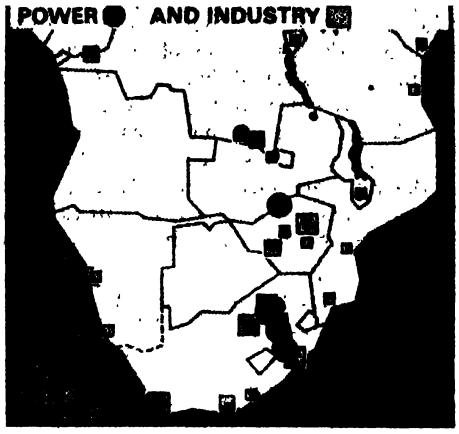
South Africa itself has a full-time army of about 15,000; it could put 250,000 trained men into the field at short notice. Only Egypt could match this sort of trained manpower; it is 4,000 miles away. The Institute of Strategic Studies demonstrated last August that of about 400,000 trained soldiers in the forces of the independent African states, about 250,000 are in the Arab countries; the Congo and Ethiopia account for half the rest.

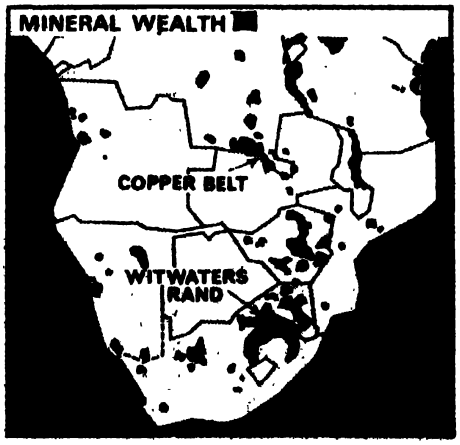
Dr Verwoerd has his own firearms and ammunition factories: the first FN automatic rifle made in his republic was handed to him in August 1964. Certain "railway workshops" in certain parts of the country have been closed to all Africans, including African workers, for more than a year now: it is believed that they are being used to make tanks. Private enterprise was put in charge of the munitions production board last year; it is now working at full speed. South Africa's defence budget has trebled—to £115 million—in the past five years. (Spending on African schooling has gone up from £9½ to £11½ million in the same period.) Jet trainers are to be built in the republic. The South African air force already has French Mirage jets, British Buccaneers, Vampires, Shackletons, Canberras, and American Sabres. It also has 200 active Harvards (and 300 in storage) each able to carry eight 19 lb fragmentation bombs.

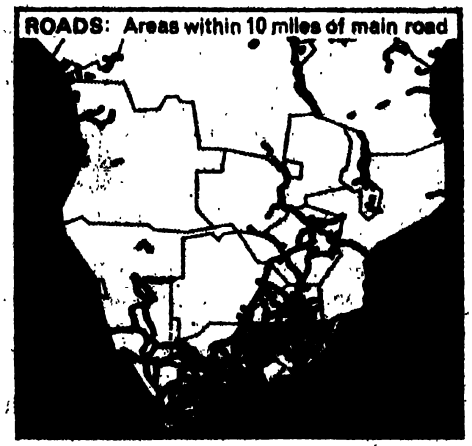
The organisation of South Africa's defences against outside attack is thus so far advanced that outside attack can, for all practical purposes, be discounted. But what about internal rebellion? Africans are in training as rebels in several black African capitals—but so far, it seems, they are caught by the South African secret police as fast as they return. Even if they were to start guerrilla warfare, they would come up against the highly trained and well-armed part-time "commandos"—which means virtually every able-bodied white man and woman—if the police and the army could not cope in the first place. Even the many light aircraft clubs that South Africans use for weekend flying are organised on a stand-by emergency basis for spotting and attacking guerrillas.

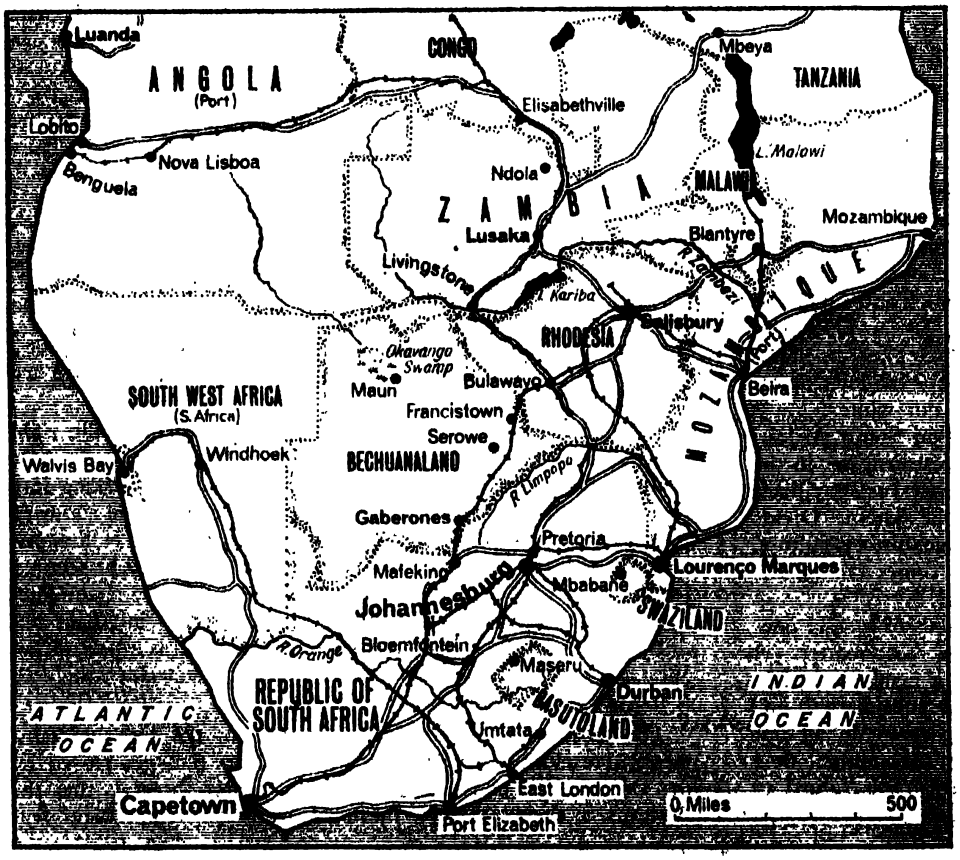
The industrial base for all this power is also in white South Africa's hands: one of the features that these maps in fact bring out is that few of the sources of real power (mines, electricity, railways, roads) lie outside white South Africa.











listen in increasing numbers to the Chinese communists. The Chinese have it easy: all they have to do is whisper fiery words about wars of liberation and driving out the white colonialists. The West is faced with the far trickier problem of helping to end white oppression in the south without replacing it with something worse. The West could find itself in the grotesque position of fighting for Dr Verwoerd simply because the Chinese communists are supporting those who fight against him. The West's aim should be to prevent the fight from starting at all—not by sitting squatly on the status quo, but by doing what it can to move South Africa into different policies.

These are the negative political reasons for doing something about South Africa. There is an immensely strong positive one. The clue lies in Mr Wall's reference to the whites being "essential to the future well-being of the whole continent." By all common sense and logic, southern Africa should be the furnace, not of hatred, but of economic development for all Africa right up to the edges of the Sahara. It has the capital, the trained men (black as well as white), the infrastructure and industry, and the involvement with the continent. A sane South Africa, suitably assisted, could take from the West much of the burden of helping Africa's new countries to develop their own economies. After all, on strictly technical and economic grounds, who are better qualified to build Dr Kaunda's railway from his Zambian copperbelt to the Tanzanian coast than the excellent managers of the South African Railways and Harbours administration?

The articles on pages i to xviii were written by Joe Rogaly, who was born in South Africa.

WHAT APARTHEID IS ABOUT

Officially, it is about this:

South Africa's population consists of eleven national groups: a White group, a Coloured group, an Indian group and eight Bantu (Black) ethnic groups.

Each group has a distinct identity of its own and a way of life determined by language, culture, heritage, outlook and environment. Each group has evolved in its own way, according to its stage of development and particular way of life.

South Africa's answer to the problem of the peaceful coexistence of these different peoples is seen in the policy of separate development which makes it possible for the various groups to enjoy the full privileges of a free society each in their own area, unhampered by the strains imposed by a multiracial society.

THIS quotation from an official government booklet, "South African Quiz," is the first part of the answer the booklet gives to the question: "What is meant by the policy of Separate Development?" It goes on to say that, historically, the first Europeans moved up from the south of the country, while the "Bantu" (the government-chosen name) moved down from the north. The whites made the republic of South Africa out of what was then "virtually an empty part of the continent. . . . The migrating Bantu settled in the areas best suited to their needs." The whites reserved the "Bantu homelands" for these people by statute in 1913; these areas have been added to since then by buying white-owned land and "today the Bantu are being assisted to develop separately from the Whites in their own homelands."

The official description tells how the "Bantu, in their homelands, preferred a subsistence economy" which is why they have remained underdeveloped. Quoting from Dr Verwoerd, it explains that in these circumstances the whites became the guardians of the Bantu. And "insofar as separate development involves continued control by the guardian over the wards, it is of a transitional nature only." The control will lapse as the Bantu advance.

The whole concept, the booklet says, rests on "the just claims and moral rights of each group to advance towards self-government and self-determination, but with due recognition of the need that a balance must be struck between different values and different rights. Absolute right for any one group may mean tremendous injustice to another." As Dr Verwoerd has pointed out, the idea is not based on superiority or inferiority, but merely on the fact that people are different. Racial hatred, Dr Verwoerd argues, cannot be eliminated in an enforced multiracial state; only the policy of separate nation-building, the policy of good neighbourliness, can do that.

Eight self-governing Bantu national units are envisaged. The first of these, the Transkei, achieved self-government at the end of 1963. According to this pamphlet, "it is foreseen that the eventual relationship between the Bantu and European will develop into a commonwealth pattern and, economically, into a form of South African common market—in other words political independence and economic interdependence." One reason why all this is necessary is that:

> The mixing of two such alien elements as White and Black leads to unhappy social results—racial miscegenation, moral deterioration of both, racial antipathy and clashes, and to many other forms of social evil.

These necessarily selected quotations have been presented in order to give some idea of how the South African government explains its own policy. Supporters of that policy range from those who say much the same sort of thing in more robust language to those who say, frankly: "It's either us or them. Unless we stay on top, we go under. If we have to go under, we'll pull every last one of them down with us." There is a great deal of argument on details among apartheid theorists. For example, Dr Verwoerd has laid it down that no white capitalists may operate inside the African areas; his scheme of things calls instead for "border industries," with the factories on one side of the boundary line and the workers on the other. But some Afrikaners who support him argue that there can be no true development of the African areas without allowing white capital and expertise in. The trouble is that the theory of separate development is gradually solidifying into dogma; there can be no breach, even in its minutest detail, without lengthy theological debate at the top.

Inside the Bantustans

SOMETHING like four million of the republic's Africans live in the thirteen per cent of the land now labelled "Bantu homelands." On the map most African areas are small pock-marks; there are 260 in all. The only large single piece making any real sense is the Transkei, which is a little bigger than Belgium. Its capital, Umtata, is reached by train or a good tarred road from East London; this road, in fact,

is the main South African national route from Port Elizabeth to Durban. The road itself is part of white South Africa.

So is the capital, Umtata. Your correspondent was not able to have any Africans —not even the chief minister, Chief Kaiser Matanzima—to a drink or a meal in his hotel. "The whites of Umtata would be up in arms," Chief Kaiser explained with great charm when finally a permissible meeting-place (his office) was found. "Why provoke them?"

Chief Kaiser presides over a cabinet in which he became the minister of finance and his brother the minister of justice. Education, the interior (best described as local administration), agriculture and forestry, and roads and public works are the other portfolios. There has been some talk of taking over health, but for the rest of the Transkei's affairs it is the South African, not the Transkeian, government that is responsible.

"Go ahead—develop"

Nor does the Transkei government run what seems on the map to be the whole Transkei. Dr Verwoerd seems to have no firm intention of incorporating Port St Johns, Umzimkulu or Matatiele into the Transkei in the foreseeable future; as for 26 townlets in the area, a racial zoning committee has been deciding how to divide these "white spots" into areas for separate black and white occupation, as elsewhere in the republic. The white areas, which generally means the town centres and the existing white suburbs, are stoutly resisting African penetration. Most of these "towns" are actually small trading villages. Many of them have a curiously English quality, since this part of the republic, like the rest of the eastern Cape Province, has more English-born farmers and traders in it than Afrikaners. A town like Butterworth is immensely English; Idutywa, with its blanketed Xhosa horsemen, is a colonial outpost. In time, it is theorised, the "white spots" will fade away.

But at present it is rural Transkei that can be described as self-governing; to this the African areas in the towns are being added. It is a country of immense beauty. The green hillsides are sensuous and smooth; the road sinews through them with lazy strength. If the car stops there is silence; the little white-painted huts dotting the hillsides look like Eden, and are about as relevant to modern life (if that is what people want). The people in these huts are not, however, so innocent of modern politics as they might seem: before the Transkeian government could be set up there was such resistance that emergency regulations (banning meetings and giving powers of arrest without warrant) were proclaimed in 1960. They are still in force.

Some people are born politicians; some have politics thrust on them. The people of the Transkei can hardly help being involved in the affairs of the republic that owns them, for their sons, brothers and fathers go there to work. When they lose jobs in the white towns, or when they have made enough money and stop work, they are "endorsed out" by officials, which means that they are obliged to come home. Most Transkeians are Xhosas, many of whom traditionally seek work in the western Cape. But, theoretically, the government is trying to clear all Africans from the western Cape. So loads of Xhosa wives and children have been returned to the Transkei; the men have remained because the factories need them, and they are moving into hostels. The ratio of men to women in the African townships in the Cape is now seven to two.

As fast as the men are shipped out of white man's Africa back to the Transkei, more come flooding back to fill vacancies. Sometimes it is the same men. The "endorsing out" satisfies the theory of clearing Africans from the area; the recruiting back makes it possible for industry to carry on. Taxed about the human misery of this situation, Afrikaners will reply, "you cannot make an omelette without breaking eggs."

The effect of this shuttling back and forth (700 miles, Cape Town to Umtata) on the African men is of importance for the future. It certainly introduces politics into the Transkei in a direct way; the tale is that every hostel room at Langa location, Capetown, has spawned its own secret society.

The Transkei's own official politics are complicated. Its assembly consists of 64 chiefs (paid by the government) and 45 elected members. Chief Kaiser Matanzima was elected chief minister in 1963 by 54 votes to 49 (six members did not vote) and it is generally accepted that most of Chief Kaiser's votes came from chiefs, while most elected members supported the leader of the opposition, Chief Victor Poto, who is himself no radical but stands for multiracialism as opposed to apartheid.

The Transkei opposition's most articulate spokesman is Mr "Knowledge" Guzana: mission-educated, arts degree at the old Fort Hare college, and by turns a teacher and lawyer. He has the equivalent of a white middle-class house outside Umtata; he says that the African nationalists in the rest of Africa "have not set us a good example. We are not impressed by what they have done." He would have the Transkei an ordinary province of South Africa, like the Cape, with representatives in the central parliament.

Certainly Dr Verwoerd need fear a Poto-Guzana government no more than he need fear the governments of Bechuanaland, Basutoland, and Swaziland—all are in the palm of South Africa's hand. What the Transkei opposition, and even the government, could do is to wring certain small concessions from Pretoria. The most important of these is on education.

One of the first decisions of the Transkei parliament, supported by both sides of the house, was to scrap "Bantu education" (South Africa's separate but not equal schooling for blacks) and to replace it with the ordinary Cape provincial education system. It was also decided to teach Africans in English and Afrikaans, instead of Xhosa, thus going against one of the Verwoerd government's most cherished principles—"mother-tongue education." Putting these decisions into practice is another matter: a select committee has been working on how to do so, with Afrikaans government officials doing their best—as British officials did in colonial days—to see that head office policy is adhered to as much as possible.

Inside Black City

DREAMS of the future apart, the present reality is that the African areas of South Africa are too small, poor, overcrowded and underdeveloped to support even their existing populations. The work is in white South Africa, and of the 7½ million Africans living and working there, roughly four million are in the urban areas. The 3½ million Africans working on farms in South Africa are a subject all on their own; some are recruited by the department of prisons, which hires convict labour out to farmers; most of the rest are poorly paid, tied to their employers, and without political rights.

It is the town Africans on whom the spotlight plays. These are the most advanced of southern Africa's black people, and thus they are the biggest problem to the theorists of apartheid. Many of them have lived around the cities all their lives; many come from families that once owned property in the African areas of these cities (this is now illegal); many, in degree of education, way of life and general spirit are more like American Negroes than they are like their tribal forefathers. They are westernised to an extent that few other Africans anywhere have become.

These are the "cheeky kaffirs"—the ones who are far more politically sophisticated and socially demanding than the more willingly subservient tribal Africans. It is these who, because of their numbers and their presence in "white" South Africa, are the most feared; it is these who, because of the fantastic growth of industry in the republic (see pages xxi and xxii) are most needed. Half a million such Africans live in their own "black city" a comfortable 17 miles outside Johannesburg: three-quarters of these in "Soweto," the part of

VANYPECO/65

THE PACE-SETTER

(Pace-setters savour Sabena's gift for in-flight charm)

You are to be congratulated for your discovery of a really clever comedian. They are so seldom found these days. You told us about him on your last flight over. Remember? And we decided to take in a performance. Oh, we see he's coming over to your table. Will we join you? Why, we would be delighted! As we were saying to a friend only the other day, one can always be a pace-setter, like yourself, of course. It's your ability to find truly talented people. It goes with your unerring skill for picking the best.

It's obvious. You fly with us. You fly Sabena.

SABENA

SABENA, THE ONLY INTERNATIONAL NETWORK HOMING ON BRUSSELS, HUB OF THE COMMON MARKET

Commonwealth Development Corporation

CDC was established by Act of Parliament in 1948 to assist the economic development of dependent territories of the Commonwealth. The Commonwealth Development Act, 1963 restored CDC's full powers of operation in all those Commonwealth countries which had achieved independence since the date of CDC's establishment in 1948 and changed the name from Colonial Development Corporation. With the agreement of the Governments concerned CDC can also act as managing agents and render advisory services in any independent country. CDC is empowered to undertake, either alone or in association with others, projects for the promotion or expansion of a wide range of . The Corporation is organised to operate commercially and has a statutory obligation to pay its way taking one year with another. CDC has powers to borrow up to £150m on a long- or medium-term basis and £10m on short-term: loans up to £130m may be outstanding at any one time from the United Kingdom Exchequer.

PROJECTS IN SOUTHERN AND CENTRAL AFRICA

CDC has 122 projects in 30 Commonwealth countries with an estimated capital commitment of over £125 million. Of these projects, 13 are in Central Africa Region (Malawi, Rhodesia and Zambia) and nine in Southern Africa Region (Basutoland, Bechuanaland and Swaziland) with total commitment £49 million. Details of typical projects are given below.

SOUTHERN AFRICA

Bechuanaland

The Lobatsi abattoir was completed by CDC eleven years ago. In 1960 the project was turned into a registered company, Bechuanaland Protectorate Abattoirs Ltd in which the BP Government and the Livestock Producers' Trust hold half the share capital. CDC has managed the abattoir since its inception. It handles all the country's export cattle and in 1964 achieved another new record with a total kill of 111,758 head. Modernisation and expansion recently completed has enabled the abattoir to kill 1,000 head per day. A subsidiary company operates a cannery and freezing works. The annual turnover is nearly £5 million.

Swaziland

On the low veld, the Swaziland Irrigation Scheme complex represents a CDC investment of £8 million. It comprises the original CDC agricultural project with a 42-mile canal, completed in 1957, and main storage dam now being completed, with 6,000 acres under rice, sugar cane and citrus. The adjoining sugar cane and citrus. The adjoining Mhlume Sugar Co. was launched with Hulett's Sugar Corporation in 1958. It has 10,000 acres cane, and estimated 1965 sugar production of 72,000 tons. Also part of the SIS project is the Vuvulane Irrigated Farms scheme on which 62 Swazi small farmers are growing cane and other crops under irrigation with plans for expanding the numbers.

Usutu Pulp Co. Ltd, formed in 1959 by CDC and Courtaulds Ltd. to exploit the 100,000 acre pine forest planted by CDC, is now producing at a profit 100,000 tons of quality kraft pulp per annum. CDC's investment in the company is £8.3 million.

CDC has provided a large part of the finance for the construction of the railway, opened in November 1964, to link the iron ore mine on the western escarpment with the Mozambique line to Lourenço Marques. CDC also has an investment in the iron ore mine at Ngwenya promoted by Anglo American Corporation of South Africa Ltd and Guest, Keen and Nettlefolds Ltd.

CENTRAL AFRICA

The projects in Malawi, Rhodesia and Zambia comprise investments in agriculture, cement manufacture and textiles and in local development agencies, and loans to public bodies for power and water supplies, air transport and for African housing.

Inter-territorial Corporations

CDC lent £15 million for the Kariba dam which was built with cement from Chilanga, another CDC project. It is lending £1.5 million to Central African Airways Corporation towards the purchase of two BAC 1-11 aircraft (a previous loan for Vickers Viscounts was recently repaid).

CDC is lending nearly £2 million for the Nkula Falls hydro-electric scheme now under construction and it has provided the finance for the Mudi River Water Board's Walker's Ferry scheme to supply water to Blantyre/Limbe.

The Vipya Tung Estate in Northern Malawi is one of the main sources of employment in that part of the country as well as providing a valuable export crop from its 5,000 acres of tung trees. At Kasungu, CDC has been managing a training scheme for African farmers learning to grow flue-cured tobacco.

CDC's most recent investment in Malawi is a textile mill in partnership with David Whitehead & Sons (Holdings) Ltd of Lancashire and the Malawi Government's Development Corporation.

CDC has an investment in the Industrial Promotion Corporation of Central Africa Ltd (of which CDC's Regional Controller is Chairman): the Highfield (Salisbury) housing estate (among others) was largely built with money from a CDC loan to the Rhodesia Government.

Zambia

The Chilanga cement works was built by CDC in 1951. It has since expanded its capacity to 165,000 tons a year and has become a public company with a quotation for its shares. Recently the Zambia Government acquired a substantial holding in the company and a large expansion scheme has been approved. There is also a loan to the Lusaka Central Electricity Corporation.

COMMONWEALTH DEVELOPMENT CORPORATION 33 Hill Street London W1

SOUTHERN AFRICA REGIONAL OFFICE: Palace Building, 52 Pritchard Street, Johannesburg.
CENTRAL AFRICA REGIONAL OFFICE: Throgmorton House, Jameson Avenue, Salisbury.
MALAWI OFFICE: CDC Representative, Downs House, Victoria Avenue, Blantyre.
ZAMBIA OFFICE: Zambia Development Corporation Ltd, c/o Martin & Co, Permanent House, Cairo Road, Lusaka.

(O-23)

A favourable view of "Black City," Johannesburg

the city that is controlled by the (white) Johannesburg city council; the rest are in contiguous government-run townships.

Soweto is not an African word; it is an abbreviation of "South-Western Townships." "Black City's" 26 square miles support about 77,000 houses. All but a couple of thousand of these are neat boxes in long rows; each has a tiny garden in front and behind, a tap in the backyard and (except for about 1,800 of them) a flush toilet. Around 10,000 of the houses have electricity. It is proposed to give them all electricity, and to light every street, over a period of ten years.

The inside of most houses is the same: two very small front rooms and two back. New houses come without inside doors or plastering; it is for the inhabitants to finish them off. From inside, these houses are one step up from squalor; from outside, they look like a vast improvement on the slums they have replaced. About 35,000 people (7,000 families) in the final slum, Pimville, have yet to be rehoused.

This standard Johannesburg pattern is repeated all along the Witwatersrand—the cluster of towns along the gold reefs that includes Johannesburg as well as the biggest part of the country's industrial gold mining, and white-population strength. Each major town in the republic has its Soweto. The credit for the building of these vast, unexciting but at least hygienic satellite cities must be given to Dr Verwoerd himself. As minister for Bantu affairs, he promoted them; the cost has totalled £100 million in ten years.

The most cheeky of all the "cheeky kaffirs"—the intellectuals among South Africa's town Africans—say that they preferred the free life of the former slums to the easily inspected uniformity of the new regimented boxes. Pimville, for example, still has many speakeasies (they call them shebeens) deriving from the days when Africans were not allowed to buy or drink wines, beers, or spirits. In Soweto the government has provided sparkling new bars; these look like hospitals inside, and African policemen lean against the counters. The result is that many of the shebeen queens have moved into Soweto, in spite of the government pubs, and they get the custom. The shebeen is simply a back room, with a gramophone, a few chairs, and a centre table to take the glasses. Its primary quality is its illegality: inside it there is a feeling of escape from the restrictions of life in South Africa.

For many Africans in Johannesburg the new townships are a material improvement upon what went before (as is the comfortable new Johannesburg African railway station). But there is no freehold in the Sowetos; there was in some of the slums that went before them. Although most houses are within something like a mile of the nearest railway station, the crowded trains and the long journey to town every morning mean getting up before dawn and arriving home after dark every day. A Johannesburg newspaper reported some years ago that the Africans were so crowded on these trains that they rode between the carriages, or crushed into them beyond safety limits, and that, as a result, some 150 a year were killed on the Soweto-Johannesburg route alone. Asked if this figure still applied, the official spokesman for South African Railways answered: "It is an underestimate."

In Dr Verwoerd's new black cities the streets are long and straight; their layout meets the convenience of strategically placed police stations. Most important of all, the whole of Soweto (like the other black townships) is divided into tribal districts, so that Zulu may not live alongside Sotho, or Xhosa become a neighbour of Tswana. Few more obvious applications of the principle of divide and rule exist; the immediate effect has been to increase the number of tribal clashes by emphasising differences.

Soweto is tightly controlled by minor officials who administer monstrous regulations. Any white man going in, or indeed any African wanting to visit any town in South Africa for longer than 72 hours, needs a permit. A man who loses his job might have 72 hours to find another. If he fails, he can be told to leave his house, Soweto and, indeed, Johannesburg—or be held in an "aid centre." Any resident of the township found "undesirable" may, on no other ground, similarly be expelled. Grown-up sons may not live with their parents in Soweto unless they were born in or have jobs in Johannesburg. If man and wife both work and the man loses his job, both might be endorsed out (the endorsement appears on the pass every African must carry); or, perhaps worse, maybe only one of them. The administration of all this, which was tightened up by the Bantu Laws Amendment Act of 1964 to give officials almost universal powers over the residence and movement of Africans in all of white South Africa, is in the hands of local labour bureaus; the officers in charge of these bureaus are now being designated "peace officers," and have powers of arrest and search of houses. It is possible for the labour bureaus to "endorse out" Africans who have lived in, say, Johannesburg all their lives; if this happens, the order must be confirmed by Pretoria. The man would then be expected to go "home" to a tribal reserve he may never have seen.

Anyone knocking on any door in Soweto will soon enough be told one or two personal tales of hardship resulting from this web of regulations. It might be a case of the house being searched for "illegal residents" or of a close friend or relative being "endorsed out" or of a few weeks of panic between jobs hoping that the somewhat cumbersome labour bureau machinery does not start working between the expiry of the permit and the finding of the new job. A surprising number of these tales have a more or less happy ending: it is one thing, it seems, to devise intricate laws for regulating people's lives, and quite another to operate them efficiently. "So-and-so was endorsed out and it took him two months to find his way back," is a fairly common tale. Africans are not without ingenuity.

The purpose of all this is not to torture the town Africans (whose wages are going up and whose jobs are more stable than they were); it is to pretend that their numbers can be controlled. They cannot. Their numbers grow every year. In 1950, 28 per cent of South Africa's non-whites lived in the towns; in 1960 it was 37 per cent and it will, according to the present trend, probably approach 45 per cent by 1970. These are proportions of a growing population; the white population, in spite of immigration, is growing less fast and thus, even in the cities and in spite of influx control, is being more outnumbered every year.

Inside White City

What about these whites? In very broad general terms, the 40 per cent of them who are English live mainly in the cities, do most of the business, and vote traditionally for the United party (but nowadays increasingly for the government). The Afrikaners have, during the past ten years, been streaming from their farms into the towns; they are getting better jobs (and

most government jobs); more of them are becoming businessmen, and most of them vote for the governing National party. Many white farms are big and generous and would seem home to a Texan. Not all whites in the suburbs have swimming pools, but nearly all families have at least one servant and some more than that.

As individuals they are often likeable, and have a wide range of views, even on colour. As a group of voters, they have moved sharply to the right during the past five years. One reason is that they have been frightened by what they have read of the black African north, and especially the Congo; another is that they have been shocked by sabotage and occasional acts of terrorism in South Africa. The number of liberals among them has dwindled. Everyone expects the shrinking United party to be virtually obliterated at the next general election; with the possible exception of the Progressive party (which has one parliamentary member, the brave Mrs Helen Suzman) South Africa may be in danger of moving towards the African pattern of a one-party state.

THIS is the first point about the country that must be grasped by outsiders looking for sources of change. The present government, which came to power in 1948, will not be turned out by the white voters in the foreseeable future; far more likely is that its strength, which has increased at every election since 1948, will continue to grow.

Nor will there be a revolution. Five years ago white liberals and African nationalists could always be found in South Africa; the talk would be of organising a strike next week, or a protest the week after. The South African police have frightened off many of these people, and imprisoned or banished the rest. They have proved so efficient, and have a network of informers (African as well as European) so well organised, that out-and-out rebels are simply not to be found; anti-government conver-

Not for use—but they make me feel secure

sations are veiled by prudence. People are either plotting a revolution in deeper secrecy than they have previously been capable of doing in South Africa, or there is no plot. The second conclusion looks, to the inquiring visitor, much the more likely.

The area of white opposition is, indeed, likely to shrink. The press is still free, although inhibited by government threats; so are all conforming white citizens. What is diminishing, as the need for the secret police grows, is the area of white freedom. The time may yet come when the value to the government of the *Rand Daily Mail* (whose outspoken liberalism frightens white voters into the government's arms and also looks good as a free press to show overseas visitors) will seem small enough for it to attack that newspaper and its bold and persistent editor, Mr L. O. V. Gandar. The mood of the whites is such, however, that there would be tut-tutting, and even protest, from the remaining white liberals—and general acquiescence apart from that.

White South Africans are also secure in the knowledge that sporadic internal rebellions (as opposed to an organised revolution of which there is no sign) can be stamped out as quickly as they arise. This is because of the immense police and military strength of the government (described on page vi). For the same reason any now conceivable invasion from outside is doomed to quick failure. If the Portuguese can halt three simultaneous attacks in their colonies, South Africa has nothing to fear.

From where else might change come? One theory, held by many businessmen in Johannesburg, is that apartheid will eventually collapse from its own economic absurdity. What South Africa has at the moment is integration in the sense that more and more Africans are needed in more and more jobs, some now semi-skilled, in the factories (see page xxii); these increased numbers must live, if not inside the white cities, then at least in the satellite "black cities."

The trouble with this theory is that it is hard to visualise just how and at what point the existence of a large migratory black labour force outside the cities will begin to evolve into a black part of an integrated society. The usually quoted analogy with the history of the working-class movement in Britain is false: British workers were harder to keep down because they were not distinguishable by colour. At any rate the South African government seems confident that it can keep all the political doors firmly bolted even as the economy continues to suck in African workers. Proponents of this theory speak of "economic integration" as something that already exists in South Africa. It is an integration of a very particular kind, with the whites at the top and in the centre and the blacks at the bottom of the job scale.

Yet this theory has its uses, for it argues about apartheid on apartheid's terms, and it is only here that change can be searched for. It is inside the political, social and religious structure of this tightly knit (and strange) African tribe of Afrikaners that the solution for South Africa must initially be sought. There are only two million of them in the whole world; their fervent nationalism is an expression of their passionate desire to preserve themselves; yet they, like all of us, are torn by internal doubts.

CHIPPING AT THE GRANITE

WHAT has been written up to now has aimed to show that the Afrikaners have South Africa tightly under their control; any change must of necessity be change they agree to. This is the point where concessions must be looked for. In the seeking, two points must always be remembered. The first is that these Afrikaners will fight to the death for the right to continue existing and that, as they see their southern Africa, they will be obliterated unless white South Africans dominate it. The second is that, since their National party government came to power in 1948, the net effect of the world's attacks upon apartheid has been to drive an increasing number of English-speaking whites into their laager; the white South Africans themselves have always chosen more apartheid, not less, in response to world pressure.

This, indeed, is the starting-point for a possible debate between South Africa and the West. Spending money on Bantustans—and the South African government has aimed at spending £57 million in the years 1961-66—is by Afrikaner Nationalist standards a daring left-wing thing to do; giving the Bantustans some governmental powers, however circumscribed, is considered to be even more radical. But this is radicalism of a kind that the South African government has itself chosen to risk; it is, for some members of that government, a genuine attempt to solve South Africa's problems.

The first thing to do in this far from ideal situation is for Britain and America to recognise both the seriousness and the long-term nature of the problem. This could best be done by setting up a working group of Foreign Office and State Department officials whose task it would be to study the internal movements inside the Afrikaners' National party. It would be a

Looking for new markets?

South Africa is Britain's third largest single customer!

One flight with South African Airways could put you in the picture.

HERE'S HOW. The vast South African market is less than a day away! Daily jet flights by South African Airways and B.O.A.C. wing you to Johannesburg overnight. There, S.A.A. provides same-day connections to Cape Town or Durban.

South Africa's imports from January to December 1964 totalled more than £713 millions sterling. 30.1% of all products came from British manufacturers. How much did South Africa buy from you?

The South African market is more than 16,000,000 strong. The goods they buy are similar, and in many cases almost identical, to those you are selling at home. They want to expand their world trade. They recognise, and are prepared to pay for, British quality. They speak your language.

You, or a key man from your company, can be in Johannesburg—the heart of industrial South Africa—in a matter of hours, to see in person where your product will fit into the market.

South African Airways' Boeing 707 Stratojets are fast, smooth, comfortable. Aboard one you could easily make a useful contact; you begin to get the 'feel' of the country.

High-speed Travel

It's perfectly possible to do the rounds of South Africa's main centres within a week (if you're pushed for time); more to the point, of course, is to take it easy and spend at least a weekend relaxing in the warm welcomes and welcome warmth that South Africa lavishes on her visitors. Thousands of miles of beaches, hundreds of golf courses!

Airport Car-Hire, too

If you need it, South African Airways will arrange, at specially reduced rates, car-hire service at Johannesburg, Cape Town, Durban, East London and Port Elizabeth airports. Charges range from 30/- to 50/- a day, according to size of car, with a mileage charge from about 9d to 1/2d a mile.

Supplies by Air-cargo

South African Airways carry all manner of cargo in their giant Boeing 707 holds—anything from tropical fish to computers. If your product comes into the air-cargo category, remember the decided savings on packaging and insurance as well as the all-important time factor.

Address Book

For full information, consult your Travel Agent and/or your Air Cargo Agent. Or for timetables, fares etc.: South African Airways, 251/259 Regent Street, London (in Oxford Circus) GER 9621/9. In Birmingham, ring MID 6917; in Glasgow, CEN 7071; in Manchester, BLA 1653. For expert help in planning itineraries, South African Railways, South Africa House, Trafalgar Square, London (WHI 4488). For attractive travel literature, maps, etc: South African Tourist Corporation, 70 Piccadilly, London, W.1. (GRO 6235).

SOUTH AFRICAN AIRWAYS

When selling to South Africa-

Things change too fast in this modern world. For accurate information on price trends and market outlets in the Republic, on changing economic climates, it is essential to consult the people who really know.
We in Barclays D.C.O. 'really know' because we have the men just where *you* want to sell.

With over 700 offices in the Republic we are particularly well placed to help British business men who are interested in exporting to South Africa.
Please write to our Intelligence Department at 54 Lombard Street, London, E.C.3.

Barclays Bank D.C.O. *Britain's Largest Overseas Bank*

good thing if this "South Africa group" could be broadened to include, say, France and some Commonwealth countries—but Britain and America would have to be the mainspring to the whole enterprise.

Acquiring information and digesting it apart, the first purpose of this group would be to align western policies, quietly and calmly, and to set about opening a dialogue with the South African government. There would be no point in pretending at the beginning of such a dialogue that the West had suddenly come around to a belief in apartheid, or even to lukewarm support for it: the whole exercise proposed here would be of no use unless the essential principles that the West believes in for the area were unequivocally stated.

After that it is for the governments to do the talking. The strengths of the South African government would have to be acknowledged. But the strengths of the West ought also to be spelt out. There are many ways short of economic sanctions in which the needle could be stuck into South Africa should the West choose. Every diplomatic, economic, political, financial and other favour now granted the South Africans should be listed by the "South Africa group" (which should have a devoted full-time secretary) and the list carried around in each one of the members' pockets.

The West should be able to argue that while the strength of Dr Verwoerd's army may be mighty, the passage of time is mightier still. His African opponents will not always be relatively so weak; their possible Chinese assistants will not necessarily always seem so remote; the annual growth in the economy will not necessarily always seem so certain. The West could also point out that the pressure emanating from the African and Asian countries increases every year; the nagging to do something about South Africa gets more persistent, and louder, as time passes. The case for answering this nagging, in the West's own self-interest, gets stronger too. No western country is thinking of using economic sanctions, or a blockade, as a weapon against South Africa. But, the South Africans could in all honesty be told, western opposition to other people's demand for the use of sanctions might come to be less staunch as the cost of opposing it is seen to grow.

Here it should be made plain that *The Economist* does not support the use of a blockade to bring down apartheid in South Africa. (A blockade to stop the South Africans imposing apartheid on South West Africa might be a different proposition.) The main reason, apart from qualms about using force to change the internal affairs of any country, is that a blockade with the object of bringing down apartheid would not work: the Afrikaners would rather lack than go black. To them the ultimate defeat would be the handing over of their country to the Africans; any privations brought on by a blockade would be better than that.

But there are many other people in the world who do demand sanctions. Dr Verwoerd will not give away his country to avoid economic hardship. But he might, say, increase his expenditure on "Bantu education" if the alternative were a really determined blockade. This is a deliberately absurd example: no one is going to threaten sanctions in order to push up African education. But between the smallest changes that the South Africans might be willing to agree to rather than suffer the world's economic wrath and the biggest change of all—handing over the country—there must be an equilibrium point. This is what the rest of the world should seek.

What the West ought to have in mind is an overall settlement for the whole of southern Africa that includes the maximum advance for Africans that can realistically be wrung out of the South African government. About sanctions, the West should tell the South Africans the plain truth: that the West is still against them, but it is getting hard to resist African and Asian pressure to use them. If the moment came when the American and British governments chose to yield to this pressure, the aim would be to achieve a defined and possible objective. The West should straightforwardly admit that it knows it cannot bully the Afrikaners into submission. In return, Dr Verwoerd should realise that effective sanctions cannot be ruled out.

So much for the stick. There are plenty of carrots. One is that if there were a package-deal settlement part of it might be for the West to lay off needling South Africa and to welcome it back into the comity of nations, to depolecatise it. If part of the package deal meant more spending on Africans, the West could offer money. If the deal looked like having a chance of being accepted by neighbouring African countries, the West might try to nudge them into acceptance. If other things allowed, it might even offer to increase the price of gold.

What would be the ingredients of such a package deal? There would be two kinds: the grandiose and the minor. It would be well worth while at least to examine Dr Verwoerd's suggestion of a "southern African common market": there are a lot of obstacles but anything that can be done to strengthen the economic links that already exist, and get white South African officials talking to their black counterparts, might be constructive. This could be combined with a look at Dr Verwoerd's scheme for a "commonwealth of southern African states." The South Africans mean by this mainly the present ridiculous Bantustans plus white South Africa. The idea is still ridiculous even when the South Africans point out that the African reserves may be only 13 per cent of the republic but contain a much higher share of the good agricultural land. For the Afrikaners' own Tomlinson commission pointed out in 1955 that the African areas, undeveloped, cannot support their present population. It is also no good fudging the issue by using the large (mainly desert) area of Bechuanaland as part of a scheme that could claim to have half of southern Africa in black hands.

On the other hand it is no use, in these territorial calculations, to point out that the only fair carving up of South Africa is one that both sides, black and white, agree to. Right. But the West is going to get only what it can squeeze out of the whites, and no more. This understood, it is still practical for the West to propose a scheme for a lot more land for Africans; which would link it into more sensible units; and would arrange for such genuine African states to be given a genuine degree of self-government (leading to at least as much independence as the nearby British protectorates hope to enjoy) and a whole lot more development aid and technical assistance.

If such thinking included a black-governed Rhodesia and in the long run an independent Angola and Mozambique, there might indeed begin to take shape a group of black states in southern Africa that could join in an economic union (if not a political one)

● One thing the South African government could be asked to do straight off, before waiting for the niceties of the negotiations outlined here to take effect, is to improve the treatment of people in its prisons. Too many reports have come out of beatings in South African prisons; of people kept in solitary confinement too long for mental health; of 19th-century standards of food and hygiene for African prisoners. Other allegations—for example, torture by suffocation or electric shock—remain to be disproved. The fact that the people who are bruised and buffed in South African jails are as often as not political prisoners makes their treatment no less reprehensible. This week's news that the South African government is investigating some of the more widely reported allegations is at least a start.

with white South Africa. This could easily include Dr Banda's Malawi; it is conceivable that, given the right circumstances and the right pressures from the West, it might even include Zambia. The economic advantages of this for the whole area, and especially for the African states, is plain; the political advantages would be that a good number of the Africans in the southern quarter of the continent would be in black-governed territory—and to that extent rescued.

But the Afrikaners would never allow them to govern white South Africa. Who else could be thus "rescued"? It is here that the smaller points of concession come in. For a start the 1.7-million-strong mixed-blood "Coloured population," which is mainly in the Cape Province, should be taken in as part of the white group; many of the comparatively liberal Cape Afrikaners (thoroughly smashed as a political force by the diehard Transvaalers) would agree to this. These "Cape Coloureds" mostly speak Afrikaans; their forefathers were the same as the Afrikaners'; they have been described in *Die Burger* as "brown Afrikaners." The 500,000 Indians should similarly be included.

There remain, in this theorising, the 7½ million unrescued Africans, the ones in the present white areas; their number is continually growing. But making the Bantustans more genuinely self-sufficient and self-governing and, most important, much larger might do what Dr Verwoerd has so far only been able to promise, most unconvincingly, for 1978: turn the migrant tide. At any rate, if all that has been suggested up to this point were achieved, South African whites would be that much relieved of the torturing pressure inside their imaginations: the fear of being swamped by overwhelming black numbers in their own country.

If this really happened it might then seem realistic to hope for better treatment of the remaining Africans inside white South Africa. The crux of the question is political rights. Dr Verwoerd argues, no doubt correctly, that any concession towards giving Africans the vote is the "thin end of the wedge"—the end-result would be African control. So getting Africans the vote for the white parliament is not, in the context of this argument, a practical proposition (although the West should not hide its belief that, in the long run, stability means government by consent of all the people). But if the whites felt less politically threatened by the Africans why should the latter not vote for genuine city councils in their own black satellite cities? The government has moved tentatively in this direction already; it should be pushed into going much further much faster. At its most ideal, it might even seem practical to propose a form of self-government for these Sowetos that took its inspiration from the Swiss cantons.

It is hard for Britain, with its current obsession against a few tens of thousands of coloured immigrants coming into its own white little islands, to argue against influx control in the imaginary white South Africa projected here. But why not at least more security of tenure for those there, plus local self-government? It could be bargained for. Indeed, some Afrikaner theorists have proposed a combination of black, white and "multiracial" states for South Africa; others simply propose multiracial areas (say, the centre of Johannesburg) in which mixed cinema shows and hotels for all comers could be allowed.

It is at this level that the most undramatic of the reforms come in. Is it really necessary to bully the black population with daily arrests for technical offences? Is it really saving the purity of white South Africa to prevent those theatres that choose to do so from allowing in audiences of all races? Why should black lawyers not be allowed to practise in the centre of Johannesburg? All these manifestations of petty apartheid or "pinprick apartheid" are the ones that hurt most in the daily life of the people—and each comes under the unacceptable justification that "intermingling leads to friction between the races" or that it encourages miscegenation.

Many questions are deliberately left untackled in this tentative list of proposals—for the whole operation would have to be undertaken with a mixture of clarity on general principles and flexibility about details. It would have to be remembered, for instance, that economic advance is no substitute for political rights—but also that it is simply not possible to engineer political rights for southern Africans if that puts them in control over the whites, at least before that misty day in the future when either the whites undergo a change of heart or the blacks so increase their strength as to be able to force one.

WHERE THE PARTNERS PARTED

"Partnership" between black and white cannot be made to work: the disappearance of the short-lived Federation of Rhodesia and Nyasaland in 1963 proved that. But now each of the three component parts of that federation is in a position to be included in a southern Africa settlement.

BRITAIN is not always right. In December 1963 one of the favourite themes of South Africa's Nationalist theoreticians was proved correct. The federation that had joined together Northern Rhodesia, Southern Rhodesia and Nyasaland broke up and the idea that "partnership" between the Africans and the whites could be made to work was, to the Afrikaners'—and the Africans'—satisfaction, proved dismally wrong. This was partly because there never was a true partnership: the federation was run by white men. Even so, the federation's dire experience is seen by white people in South Africa as a demonstration of the truth of their belief that separation of the races (with the whites fully in control of the process) is the only viable solution for mixed societies.

Each of the former territories of the central African federation has since taken a different political path. Southern Rhodesia, renamed Rhodesia, is still governed by white men who are negotiating hard for independence from Britain so that they can cement their control of the country for as long as possible. Northern Rhodesia, renamed Zambia, became an independent republic last October and is doing its best, in a situation where geography and economics force it to compromise with the white-ruled states, to retain the purity of its African nationalist soul. Nyasaland, renamed Malawi, became independent last July; it has chosen the path of compromise.

Dr Banda's Malawi

With inevitable irony, history chose Dr Banda to spearhead the destruction of the central African federation on the ground that it was dominated by white men in Salisbury—and it has chosen Dr Banda to lead his independent country according to

the need to compromise on almost every aspect of government with white men in Lisbon, Lourenço Marques, Pretoria and, still, Salisbury.

He has established good diplomatic relations with the Portuguese, thus recognising the arguments of geography in a country whose productive southern half is surrounded on three sides by Portugal's Mozambique and whose only railway outlet leads to the Mozambique port of Beira. Dr Banda has an aim in doing this. He has been led to believe that in some future southern African settlement the Portuguese government might cede part of Mozambique's vast undeveloped north-western wastes to Malawi. For what this idea is worth, it is something that the West ought to bear in mind when investigating a policy for southern Africa on the lines proposed in these pages.

Dr Banda's relations with Salisbury, Pretoria and even Zambia's African nationalist capital of Lusaka are governed by the fact that (according to the 1961 census) more than half the Malawians who work for wages do so in Rhodesia, on the copperbelt mines in Zambia, or on the Witwatersrand mines in South Africa. They send back some £2 million a year; Malawi's budget now runs at £15½ million a year. Even so, the expected deficit this year (£6½ million) will have to be covered by a grant from Britain—and this will be forthcoming in spite of its being normal British policy not to help balance the budgets of former colonies after independence.

In this situation Dr Banda is old and wise enough to tailor his undoubted African nationalist sentiments to the immediate needs of his country. He says things like: "The government will not Africanise for the sake of Africanisation. . . . No European will lose his job just because he happens to have a white skin, and . . . no African will be promoted to a higher post . . . just because he happens to have a black skin." The British applaud; the unpromoted African newly educated do not.

This is Dr Banda's problem. He is in the fortunate position of being able to pursue conservative policies in a radical Africa because he has successfully been built up as a Messiah to his people, and because he does not hesitate to use dictatorial methods, or to condone bullying by party thugs, in order to stay on top. But he has lost the support of many African intellectuals; indeed last September he lost very nearly his whole cabinet, the members who then rebelled now being in exile. They objected partly to his too conservative (for their liking) policies, and more particularly to his insistence on taking all decisions himself, leaving nothing to "my boys." What he will be like if he becomes president (Malawi will be a republic on July 6, 1966) these ex-ministers shudder to think.

In some ways, therefore, Dr Banda is just as bad for Malawi as he is good for it in others: the rest of his rulers will be to see what happens when he is no longer there. Meanwhile, for the rest of southern Africa, the government of some four million proudly independent Malawians (who treat their 14,000 whites with great care and respect) is an example of how economics and geography can prove more powerful than even the most passionate of political emotions.

Dr Kaunda's Zambia

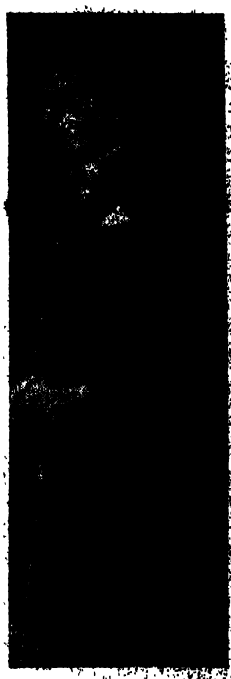
It might seem at first sight as if the Banda line is very seldom, if ever, applicable—as if in Zambia, say, extreme dislike of Dr Verwoerd and Mr Ian Smith would overcome any argument based on economic or geographic necessity. Yet one of the first actions Dr Kaunda took on the eve of his country's independence was to make a public offer of exchange of ambassadors with the republic. His condition was that his African ambassador should have the freedom to move in Pretoria that would be granted to Dr Verwoerd's man in Lusaka. To the South Africans this seemed preposterous: how could a black Zambian be allowed to roam into white South African hotels and restaurants?

But the public expostulations made by Dr Verwoerd himself at the time must be balanced by the remarks many Afrikaners made to your correspondent in private—that "it must come one day"—and by the pressure from the more world-orientated of Dr Verwoerd's supporters for sensible diplomatic relations with black African countries.

It would certainly make sense for Zambia to have an ambassador in Pretoria, however much apartheid is anathema to its people. Landlocked, with eight neighbours (four white-governed, three black and independent and one, Bechuanaland, set on the way to black independence), the new Zambia is both symbolically and literally at the heart of what divides black Africa from white-ruled southern Africa.

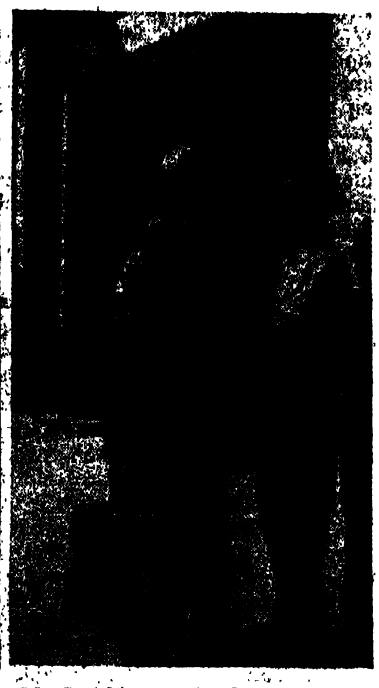
It is rich—its copperbelt comes second only to the Witwatersrand as a source of wealth and power on the continent. Yet this richness depends upon the financial and managerial expertise of two main groups: Mr Harry Oppenheimer's Anglo American Corporation (which is in so many of the gold mines) and the largely American controlled Roan Selection Trust group. The working of the mines, in a country that went into independence with fewer trained and educated Africans than most, depends upon the skills of its white miners, a goodly proportion of whom are from Rhodesia or South Africa. The mining requires power from the Kariba hydro-electric station that Zambia runs jointly with Rhodesia, and the copper travels to the sea along a railway line through Rhodesian and Portuguese territory. In 1964 Rhodesia was Zambia's largest supplier of imported goods; South Africa came second, and Britain third.

In the short run at least there is very little that Zambia's new African nationalist government can do about this situation. On the last day of 1964 its minister for commerce and industry, Mr Nalumnio Mundia, formally gave 12 months' notice of termination of Zambia's trade agreement with South Africa which, he said, was "repugnant" to his government. The result at the end of this year is expected to be an increase in the cost of the fifth of Zambia's imports that now come from South Africa (Rhodesia supplies 40 per cent), although the Lusaka government is hoping to get entrepreneurs to manufacture some substitutes locally, while it is putting



Dr Banda

Dr Kaunda and Mr Wilson



Mr Smith's men in the street

some faith in Japan as an alternative supplier.

Equally, Zambia hopes to see a rail outlet built that would run through the territory of its African nationalist neighbour, Tanzania, to the Indian Ocean. It is having some difficulty in finding the money; even if the railway were eventually given the blessing of either the West's treasuries or the Chinese it would take at least seven years after that for the line to be completed and put into service. Thus Zambia's dependence on its white southern neighbours will be a fact of the whole area's political life for many years to come.

Yet Dr Kaunda has some strengths of his own. If he needs his 70,000 whites (the largest white population in black-governed Africa, a good many of them Afrikaners), they, for their part, depend for their continued comfort in this high-wage, luxurious copperbelt economy on his government's protection. It is surprising how few racial incidents there have been in Zambia since independence; some whites have been prosecuted for insulting Africans in pre-independence language. But a lot depends upon the ability of Dr Kaunda and his colleagues to keep things cool.

This in turn will largely depend upon his government's ability to provide its people with more jobs and school places. It has the money, at least by African standards, with which to do this. It went into independence on a booming copper price and, with a population of around the same size as Malawi's, has a budget surplus this year of £16.7 million (compared with Malawi's £6¼ million deficit), and an estimated government revenue for the coming financial year of £84 million (compared with Malawi's £9.8 million).

In its first year (its budget runs from July to July), Zambia's gross national product increased by 16 per cent; African earnings by an average of 19 per cent, gross fixed capital formation by 15 per cent, and employment by 10 per cent—while building plans are running at double the 1964 rate this year. The money thus made available has been turned to use in an interim development budget presented last January, in which the most ambitious feature was a one-year crash programme to double (to 8,453) the number of places for African children in the first year of secondary school. By July this year a start had been made on all 21 of the projected new secondary schools; work on 1,200 new primary school classrooms was going slower.

Being thus in a stronger economic position than Dr Banda, President Kaunda can sound the tougher of the two about the struggle against white rule further south. He doubtless feels that a southern African settlement involving what would amount to a deal between the West and Dr Verwoerd would be a wicked abandonment of principle. Yet the links between his republic and the Afrikaners' remain. With luck, one day a Zambian government may feel sure enough of itself to be able to join in some kind of economic community with the South Africans, especially if this was done in the hope that it would lead to an erosion of the granite face of apartheid. Such a policy would be angrily rejected in Zambia today. But it might very well carry the Africans in the south a few steps nearer a tolerable life than would a policy of cutting Zambia's links with South Africa while waiting for a revolution.

Mr Smith's Rhodesia

When negotiations between the British and Rhodesian governments are still in progress it is dangerous to make anything like a prediction of the immediate future for Rhodesia. The negotiations are about whether or not Rhodesia should become independent, and on what terms; the Rhodesian government's strongest card is the threat to declare independence unilaterally (even if that means ruining its own, and Zambia's, economy in the process); the British government's ace is its undoubted ability to squeeze Rhodesia's economy (and thus be forced to save Zambia's) if such a rebellion did, in fact, take place.

But "independence" is not really what the argument is about: the government in Salisbury has been able to do as it pleases inside Rhodesia for forty years. By banning the African nationalist parties, banishing the African nationalist leaders, and asserting control over the state radio and television stations, it is demonstrating that it can still do as it pleases.

But during the past ten years of its existence, Rhodesia has been under constant pressure from the British government to remove the colour bar to African progress (a bar very like South Africa's of twenty years ago) and to move towards African majority rule. Since the Africans outnumber the whites in Rhodesia by 18 to 1, this policy of Britain's has created such fear in Salisbury that almost every government elected there since the war has been to the right (on racial matters) of its predecessor.

Now even the present prime minister of Rhodesia, Mr Ian Smith, is reported to be under pressure from his own right wing, on the ground that he has not pursued hotly enough the trappings of independence that white Rhodesians seem to want so much. Their belief is that, once their own flag is flying, they will be free from pressure to give the Africans a slightly better place in the sun. In fact, this pressure is certain to continue (and to come from Britain as much as from any other country) right up to the day when Africans are effectively in the government in Salisbury.

The white Rhodesians' strength has always been that they are backed by South Africa and the Portuguese. They concluded a fresh trade agreement with South Africa last November; they are now seeking out new markets in Spain, France and Portugal. Their weakness has always been their dependence on Zambia and Malawi to buy the products of their expanding secondary industry, and the small proportion of white men in their territory.

When the federation broke up in 1963, the outflow of whites seemed alarming: altogether about 30,000 whites left the country in anticipation of the break-up, or as a result of it. But during the last quarter of 1964 the tide turned; many Rhodesians who had fled to South Africa came back, and in the first six months of 1965 there was a net gain of 2,500 whites, making a total white population of 219,500. The increase in the African population in the same period, however, was 60,000, to reach a total of 4,020,000.

It is these figures that, in the coming few years, are the truth for Rhodesia. The economy is doing better than expected at the time of the federation's disappearance. Exports have increased; there is a small budget surplus; business confidence is creeping back. The air force and army, under Salisbury's control, could easily take on any likely African rebellion or invasion, in spite of being much smaller than South Africa's. Yet, with the whites far more overwhelmingly outnumbered than they are in South Africa, and with a far closer British involvement, Rhodesia has a fifty-fifty chance of being moved, somehow, towards majority rule quite soon.

Even if this were to happen, Rhodesia's economic involvement with the areas around it would make it as susceptible to the influence of the great white magnet as are the other southern African territories. Rhodesia could thus be the *casus belli* in a general black-white conflagration in southern Africa; or it could take part in a general settlement of the region, maybe with some of its territory left as a white-controlled "white reserve"; far more desirably, as a black-governed state.

Southern Africans, practising

Microcosmos in MORGANS world

Morgan World is a [illegible] technologies covering a wide [illegible] of refractory, ceramic and carbon materials [illegible] Our products are used in every major industry [illegible] manufacture. We have companies established in [illegible] and others.

Product Co[illegible] THE MORGAN CRUCIBLE COMPANY LIMITED
[illegible] RESEARCH AND DEVELOPMENT LIMITED

MORGAN in SOUTHERN AFRICA

MORGANITE SOUTH AFRICA (Pty.) LIMITED

[illegible] Rhodesia, Zambia and Mozambique

[illegible]

A CAPITAL CALLS INDUSTRIALISTS

Pretoria's Invitation to Enterprising Entrepreneurs

Pretoria, seat of the Government of the Republic of South Africa, Capital of the Transvaal Province, and the sub-continent's largest city, offers decided advantages for investment and the establishment of industries.

The remarkable rate of the city's growth ensures for its industries a key position in the country's economic activities. Its most important industry is the South African Iron and Steel Industrial Corporation, Limited (Iscor). The Chrysler Corporation S.A., Limited, is shortly moving to one of the city's Industrial Townships. The Chief Mechanical Engineer of the South African Railways has his headquarters in Pretoria, and the city is also the headquarters of the State Tender Board, the South African Police and Defence Force.

Central Situation.

Pretoria is very centrally situated. There are excellent rail and road links with all parts of the country. Lourenco Marques (Mozambique) is the nearest harbour.

It is very near to the Witbank coal fields and to the Witwatersrand, South Africa's most densely populated region.

Municipal Services.

All municipal services – water, electricity, fire, sanitary, sewerage and ambulance – available at cheap tariffs.

Climate.

Pleasant climate with abundant sunshine. Mean daily duration of bright sunshine: 8.90 hours. Rain on an average of 76 days per year. Average annual rainfall: 28.28 inches. Altitude: 4,480 feet above sea level.

Education.

Two universities, one with engineering, medicine and veterinary faculties. Teachers' Training College, Technical College, commercial and technical high schools, high schools and primary schools. Extensive and comprehensive technical libraries, many of them of a specialised nature.

Industrial Townships.

Sites are available in the following Industrial Townships:—

WALTLOO.

About eight miles east of the City, with residential areas for White, Coloured and Bantu Workers in close proximity. Full particulars from: The Town Clerk, P.O. Box 440, Pretoria, South Africa.

ROSSLYN.

A border industrial area about 15 miles north-west of Pretoria. Enquiries to: The Secretary, Permanent Committee for the Development of Border Areas, Private Bag 307, Pretoria.

WIRE ROPES -THE SINEWS OF INDUSTRY

mining,
engineering,
building and construction,
farming,
fishing,
shipping,
transport and
general manufacturing
depend increasingly
on Wire Ropes . . .
the sinews
of industry

AFRICAN WIRE ROPES LIMITED

ROPE AND WIRE SALES DIVISION, P.O. BOX 6154, JOHANNESBURG

AFRICAN WIRE ROPES (ZAMBIA) LIMITED

P.O. BOX 1510, NDOLA, ZAMBIA

Marais's Free Press

"I may be poor, but, thank God, I'm white"

SOUTH AFRICAN newspapers still condemn the government, but may print less and less of the evidence for their opposition. One man who soars triumphantly above these obstacles is Mr David Marais, the political cartoonist of *The Cape Times*. He escaped the frustrations of a parliamentary reporter by teaching himself to draw. His new medium gives him a freedom few of his editorial collegues enjoy. His world is one of sharply delineated, uncompromising rights and wrongs. Apartheid is a fraud and Dr Verwoerd a pious humbug. Mr Vorster, the minister of justice, positively bristles with the instruments of oppression. The countryside crawls with police narks, and likewise with puritan clergymen busily sousing vinegar over life. It is exaggerated. But not enough for comfort.

ANATOMY OF AN ECONOMY

Two uncertainties face South Africa's economy. The immediate one is whether the present boom will be succeeded by a mere pause in expansion, or an actual downturn. The long-run question is whether racial barriers will be lowered not just unofficially (as they have been recently—see next page) but formally.

FOR the moment, economists' attention in South Africa is riveted on the last spasms of the boom that began in mid-1961. It is taking the devil's own time about its operatic death. Like nearly everyone else, the government underestimated the sheer strength and runaway momentum of this expansion. It thus missed the best moment for intervention, which was probably at some point in the last quarter of 1964. The restraints that were finally applied in the early months of this year failed to get the economy off the boil in time; up to the beginning of the second quarter employment, manufacturing output, retail sales, consumer prices, bank credit and mortgage loans were all still rising to record or near-record levels. Despite a disinflationary budget and complementary credit restrictions, the obstinate boom has continued to attract a flood of imports and the official reserves have been run down at an alarming rate to pay for them. The reserves fell by some 30 per cent between last November and the beginning of June, when they were down to £177 million, or the equivalent of about two months' imports.

The South African government is thus neatly trapped in a classic dilemma. If a balance-of-payments crisis is to be averted this year, there is no longer much time left in which to discover whether the existing restraints will suffice. On the other hand a further tightening of the screws now carries the risk of turning a proposed easing off into a real recession. Saving only the possibility of a sterling-rand devaluation (which would instantly transform South Africa's economic situation) the only certainty is that the major cyclical expansion that began in 1939 is about to be interrupted for a sixth time since the war.

If the last five occasions are any guide, the coming slack could last for a year to eighteen months. The underlying strength of the economy and its capacity for sustained growth is by now taken for granted by South Africans, whose confidence has been steadily reinforced by each of the previous swift recoveries, and most of all by the dramatic revival a year after the shootings that took place at Sharpeville in 1960.

Yet the economy still leans very heavily on two very special props: gold and the restraints on the repatriation of foreign assets that were introduced in 1961 (it was only after these were imposed that the last turnabout began). Even so, there has been a significant though diminishing net outflow of private capital in each of the past five years, and if the restraints were ever lifted it is highly likely that the initial reaction would be a flood of capital out of the country for fear that they might be reimposed. Yet this grave risk may have to be taken at some stage if the net capital inflows of the ten years to 1956 are to be resumed.

Since the war, the government has tried to lessen the country's very heavy dependence on gold and its reliance on imports of consumer goods by stimulating secondary industry and the exploitation of other resources, such as iron ore and phosphates. But the process still has some way to go. The proportion of the economically active population in mining has declined since the war by only about 2 per cent, to 10 per cent; the proportion in manufacturing has from[illegible] dramatically to about 12 per cent equally [illegible] cent. The process has been to about 2[illegible]arkable in the rise from 20 contribution to [illegible] cent in manufacturing's 1946, compared wi[illegible]national product since cent to 13 per cent in [illegible]rise of only 1 per

But it is the government's [illegible]ontribution (including spending on the larg[illegible] defence and police apparatus) that has boos[illegible] the gross national product even more than [illegible] growth of manufacturing; indeed, at over 30 per cent, government spending makes by far the largest single contribution. Thus the postwar period has seen a small increase in the relative importance of mining, a somewhat larger increase in the relative importance of secondary industry, and a larger expansion still in the public services. The result is an economy deriving almost half its total domestic product from a combination of gold and a heavily swollen public service, with over 40 per cent of the income needed to pay for imports provided by gold alone. On this concentrated basis, South Africans, like Australians, achieved a 47 per cent increase in real national income a head between 1946 and 1963.

A further broadening of the base of the economy is a major target of South Africa's first economic development plan, published last December. This envisages for the six years to 1969 an annual growth of 5½ per cent in real gross national product, and a further increase, to 28 per cent, in manufacturing's contribution to it. The target compares with an average annual growth of just over 4½ per cent in the 18 years to 1963, 7½ per cent in 1963 itself, and about 6 per cent last year. The government's part will be confined, in the main, to stimulating the envisaged expansion by fiscal means; the actual development will be up to the private sector.

The biggest hurdle ahead is the supply of labour. The planners have conceded that, even assuming a net white immigration of 20,000 a year, there will be 239,000 unemployed non-whites in 1969 and 47,000 vacant posts for whites. The government's officially stated policy is to overcome the problem by encouraging industries to establish themselves in the African "homelands" or on their borders, where the use of non-white skilled labour would be permissible. Yet this is unlikely to be a practical solution for those industries (building among them) where labour scarcities have been causing the worst bottlenecks.

SOLID GOLD

Sharpeville rocked the economy. Gold—and exchange control—saved it

SOUTH AFRICA has golden foundations. Gold mining has always had an important stabilising influence on business fluctuations in the republic. It came to the rescue again after controls on the repatriation of foreign assets stopped the 1960-61 drain on the reserves; the subsequent increase in the output of gold soon led to a sharp rise in the reserves which shot up from £75 million in mid-1961 to a record of £260 million by September 1963.

As bank liquidity rose, interest rates fell sharply in 1962 and 1963. Easy money, coupled with a revival of confidence, helped bring about the spectacular recovery and boom that is now having to be slowed down. The large part that gold production played in this recovery can be seen in the rapid rise of output from £250 million in 1959 to £365 million by 1964, an increase of 46 per cent. In addition to its monetary stabilising influence through the balance of payments, there was also the impetus given by the increasing demand of the mining industry for supplies, equipment and labour.

Normally gold mining, with the fixed price of its product, tends to slacken when the economy as a whole expands; this is because of the attendant rise in costs and competition from other industries for scarce resources, particularly labour. And in the latest boom several mines on the old Rand did close down. But the loss of output from them was more than offset by increased production at new high-grade mines that were able to absorb rising costs. Production in the new mines of the Orange Free State and the Far West Rand now accounts for nearly three-quarters of the total South African output of gold.

The increased production of these mines not only helped to sustain the economic boom by providing extra demand for labour and locally manufactured goods, but also by supplying investment capital for local industry from the rising profits of mining. Moreover, larger gold sales helped pay the growing import bill. Gold as a share of South African total exports rose steadily from 38.8 per cent in 1959 to 43.6 per cent in 1964, despite the fixed price of gold and the rapid rise in the prices of most other exports.

For the immediate future, gold mining is expected to go on giving strong support to the South African economy, but the outlook for the longer term is less certain. The Anglo American Corporation predicts that output will reach its peak within five to ten years and then begin a steady decline. A more pessimistic forecast published recently in the magazine *World Mining* suggested that a decline in production may begin as early as 1968 and that output could fall very rapidly to only 8½ million ounces by 1987, from over 29 million ounces last year.

But South Africa's mining industry confidently expects a rapid expansion of world demand for uranium by about 1970. If this comes about, it would go far to offset any decline in the output of gold. More important is the expansion and diversification of South African industry, which has steadily lessened the country's dependence on mineral and primary production in the years since the war. It is expected to go on doing just this.

WHERE THE BLACKS ARE MARCHING IN

If there is one thing white South Africans need, it is the thing they most fear: more Africans in the towns

IN industry, the thin white line is daily being breached. South Africa's government is still keeping all the legislative apparatus of economic apartheid carefully intact, but it is turning Nelson's eye on a steady influx of Africans, Coloureds and Indians into spheres of activity formally labelled, either by statute or convention, "whites only." It does not relish what is happening and the Afrikaner trade unions oppose it. But neither can stop the process. It is no longer possible to squeeze the skills required for the development of a country of 17 million people from the inadequate upper crust of 3½ million whites, especially while economic development is seen as the surest safeguard against foreign interference.

Thus the non-white advance in industry is surreptitiously being encouraged. In the rapidly expanding metals industry, which employs 250,000 workers and accounts for nearly half of South Africa's industrial activity, all orders reserving specific jobs for specific races have been suspended. In the gold mines, where traditionally the job colour bar is most rigid, an experiment in allowing Africans to do some supervisory work (over other Africans, not whites) underground has been going on for nearly a year, with the government's approval. Africans now drive more than half the earth-moving and other machinery used in road-making.

Even in the government-operated railways 14,000 non-whites have taken over unskilled jobs formerly kept strictly for the now diminishing pool of predominantly Afrikaner poor whites; some have even moved into the semi-skilled grades, where they repair trucks and do rough carpentry and simple welding. Mr J. H. Liebenburg, the president of the Railways' Artisan Staff Association, says: "The takeover is still very slight, but the tempo will increase in the next three or four years if economic development continues at the same pace."

It is hard to estimate how many Africans have broken through the industrial colour bar, since the bar itself is as much the working of an unwritten code of discrimination as an actual legal barrier. Mr Tom Murray, the former president of the Trade Union Council of South Africa, reckons that some 12,000 non-whites have taken over skilled and semi-skilled industrial jobs that were closed to them only two or three years ago. And all are earning equal pay with whites: the white trade unions insist on this to protect their members from undercutting.

The most striking gains have been made by the mixed-blood Coloureds of the Cape Province. Fifteen years ago probably not more than a dozen Coloureds in the western Cape earned £500 a year; now there are an estimated 17,000, with a further 5,000 earning £1,000 or more. Better educated than the Africans and less restricted by law and custom, the Coloured people now con-

Fast regular cargo services between U.K. and North Continental Ports and

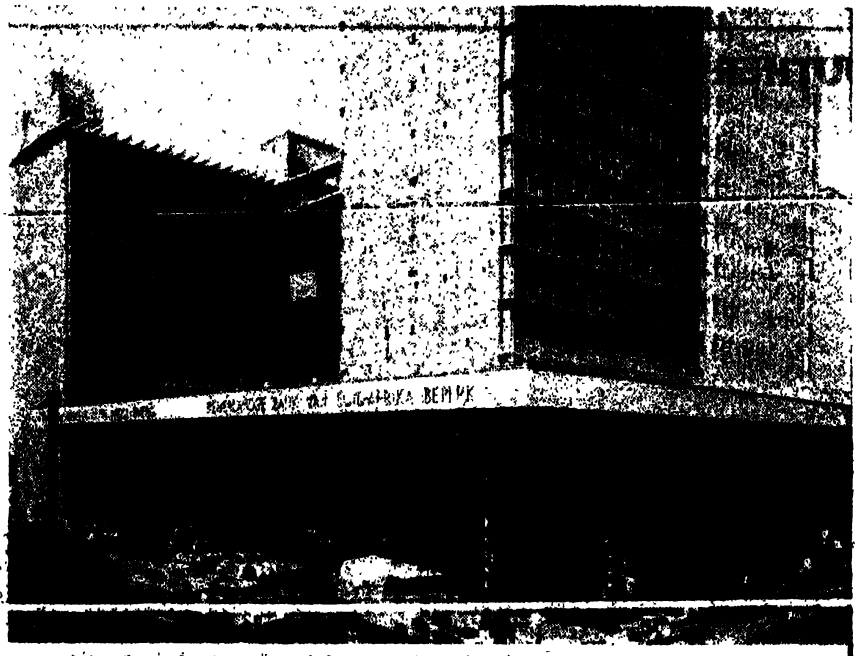
SOUTH & SOUTH EAST AFRICA

Fortnightly from East Coast U.K. and North Continent to Cape Town/Beira range.
Monthly from Cape Town/Beira range to East Coast U.K. and North Continent.
Monthly from West Coast U.K. to Cape Town/Beira range.
Monthly from Cape Town/Beira range to West Coast U.K.
Fortnightly from U.S. Gulf and Atlantic Ports to Cape Town/Beira range.
Monthly from South Africa to United States Ports.

Details of sailings and freight rates from
SOUTH AFRICAN MARINE CORPORATION (U.K.) LTD.
56-60 St. Mary Axe, London E.C.3. Tel: AVEnue 3088. Telex: London 24144.

SOUTH AFRICAN MARINE CORPORATION LIMITED

Cape Town • Johannesburg • Port Elizabeth • Durban • Subsidiary Companies at London • New York • Salisbury



His business is import and export

his bank is the Netherlands Bank of South Africa

Alert: Active. Modern . . . the Netherlands Bank of South Africa Limited has his kind of approach to import and export business. If you are looking for a better way to do business in South Africa, ask your bank to help you take advantage of the experience and enthusiasm of the Netherlands Bank of South Africa Limited.

NETHERLANDS BANK OF SOUTH AFRICA LIMITED London: 37 Lombard Street, E.C.3. or write to Box 1144, Johannesburg.

INVESTORS GROW BIG IN THE WESTERN CAPE

The Cape of Good Hope they used to call it. 300 years of steady growth sees that hope fulfilled and today the Western Cape is South Africa's bustling province of opportunity. To single out just a few of the multi-million investments recently attracted here—£10,000,000 is being spent on a new oil refinery, £5,000,000 on a nylon spinning plant and £8,500,000 on a fertilizer factory. Millions more in local and overseas capital have long been most profitably invested in almost every type of light and heavy industry as well as in the Cape's well established Shipping, Banking and Insurance houses.

. . . BECAUSE IT OFFERS GREAT ADVANTAGES

LOW TAXATION
INTERNATIONAL STANDARDS OF ROAD, RAIL, SEA AND AIR COMMUNICATION
ECONOMICAL SITES WITH LAID-ON FACILITIES
EFFICIENT, EXPERIENCED LABOUR
VASTLY EXPANDING MARKETS BOTH LOCAL AND OVERSEAS
WELL ORGANISED CHAMBERS OF COMMERCE AND INDUSTRY
WORLD RENOWNED EDUCATIONAL AND RESEARCH FACILITIES
MAGNIFICENT CLIMATE AND SCENERY
LOW COST OF LIVING

FURTHER INFORMATION
If you would like more information on any specific points or an illustrated brochure write to the WESTERN CAPE DEVELOPMENT ASSOCIATION, P.O. BOX 1536, CAPE TOWN, SOUTH AFRICA.

SOUTHERN AFRICA

EIU QUARTERLY ECONOMIC REVIEWS:

No. 7 -Rhodesia, Zambia and Malawi

No. 39-Portugal and Overseas Provinces [Angola and Mozambique]

No. 44-Republic of South Africa and South West Africa

Six other reviews cover the rest of Africa. There are 58 reviews covering 120 countries.

Available on subscription or singly. Details from

THE ECONOMIST INTELLIGENCE UNIT LIMITED

Spencer House 27 St James's Place
London SW1
HYDe Park 6711 ext 27

Lincoln Building 60 East 42nd Street
New York 10017
Murray Hill 7-6860

stitute three-quarters of the area's industrial labour force. Everything eaten in Capetown has been sown, harvested, processed, packed and possibly even sold by Coloureds. Almost all the city's new houses and office blocks are being built by Coloureds. It is becoming rare to see a white man on a western Cape factory floor; frequently only the top managers are white, while at least one factory has a Coloured supervisor with whites working under him.

It is in the factories, too, that the Africans are advancing most rapidly. In the large motor assembly plants of Port Elizabeth they are putting vehicle bodies and even engines together; a bicycle factory in the Transvaal town of Springs has 105 African men minding machines under four white supervisors. Mr E. H. McCann, secretary of the 20,000-strong Amalgamated Engineering Union, says: "It can stop only when there are enough white workers available."

But will there ever be enough white workers? The present rate of economic growth is far outpacing any possible rate of white population growth (immigration included), while white productivity is falling as inefficiency enjoys the protection of shortage, and need rather than merit dictates the appointment of foremen and supervisors. The National Federation of Building Trade Employers has gloomily observed that South Africa is now reaching a stage where the building industry "will have to rely increasingly on [white] recruits of a

Afrikaners who Mean Business

Not the black African word *uhuru* but the white Afrikaner word *vryheid* was the first slogan of freedom in Africa. After winning political control in 1910, the Afrikaner trekkers of South Africa sought economic equality with capital that had originated from abroad, and whose English-speaking owners inspired an economic inferiority complex in most Afrikaners. Now that they are becoming big businessmen themselves the hope is that the Afrikaners will one day feel strong enough to work with the still dominant English-speaking capitalists. Perhaps this will help spread a more flexible approach to race relations, at least in the economic sphere.

The conscious desire of the Afrikaners to secure higher economic stakes was expressed at a special conference in Bloemfontein in 1936. It was realised then that identifiable Afrikaner capital could be accumulated only through the savings of people who, largely, were farmers, white collar workers and labourers. Insurance and small savings banks were the best for this. One life insurance company, Sanlam (Suid Afrikaanse Nasionale Lewens Assuransie Maatskappy), led by Mr C. R. Louw and Dr M. S. Louw, which stemmed from this way of thinking, went vigorously ahead. During the war Sanlam funds went into Federale Volksbeleggings, an investment company, and Bonuskor, another investment company that derived its capital from the cash bonuses that Sanlam paid to its policy holders.

When Dr Malan's Nationalist government took power in 1948 Sanlam's total assets were £15½ million; its income was £3.7 million a year. The opportunities provided by patriotism and patronage were many. By 1964, Sanlam's assets amounted to £121.8 million, with an income of £26 million a year. Thus over the past two decades, and possibly the past five years in particular, Afrikaner capital has stimulated development to a degree not reflected in balance sheets. Its entrepreneurs have set up privately owned new industries; the government's Industrial Development Corporation, which operates with and through private capital, has also marched ahead. Such nationalist-inspired capital is concentrating on secondary industry, which perhaps has a longer future than mining.

The aristocrat of Afrikaner finance is 49-year-old Anton Rupert. He was the first Afrikaner industrialist to challenge and beat an entrenched overseas-controlled monopoly, the United Tobacco Companies, a subsidiary of the British America Tobacco Company; he went on to new conquests abroad. His Rembrandt Tobacco Corporation, financed by Sanlam and its associates, bought Rothmans and Carreras in Britain, extended the Rothmans operation into other countries and launched Peter Stuyvesant cigarettes on the world market. Mr Rupert is the inspiration behind the £7½ million Oude Meester Cellars, a new liquor grouping which, together with Whitbreads of England and Heinekens of Holland, is challenging the beer monopoly of South African Breweries—itself a leading distributor of wines and spirits. In this enterprise Mr Jan Pickard, a former Springbok rugby player, is closely associated.

Motors, long dominated by the subsidiaries of overseas companies, is an industry under challenge from both Mr Albert Wessels, whose company Toyota (South Africa) has the franchise to build in South Africa the Japanese Toyota vehicles, and the Bekker brothers who hold the Datsun-Nissan franchise. Mr Wessels, warm and understanding (his intenseness has mellowed), is welding Afrikaner capital, mining finance capital from the English-originated Johannesburg Consolidated Investment Company, and public money into a group with a future. Toyota S.A. will also assemble the French Unic trucks; this might ease Leyland's grip on the market.

Afrikaner industry has even acquired a stake in mining through the combination of Federale Mynbou and General Mining. This is led by 56-year-old Mr Willem Bedford Coetzer, a gracious man who moves as easily in the Rand Club as he does on a Bushveld farm. He is assisted by the brother of the minister of foreign affairs, Mr Tom Muller, a mining engineer and a competent organiser. South Africa's large fishing industry is dominated by the aggressive personality of 45-year-old Mr Andre Pierre du Preez who, backed by Bonuskor and Sanlam, has made a million for himself in the process of welding small companies into larger ones and by exploiting efficiently the fishing concessions given by the government. He is tough, chunky, a rugby forward in business. Afrikaner finance is moving into sugar, once the jealous preserve of the English colonials of Natal; into fertilisers, once a monopoly controlled by ICI and De Beers; into building aeroplanes for the government; into shipping, engineering, textiles and construction. Behind many of these projects are Sanlam, Federale Volksbeleggings and the Afrikaners' own American-style Trust Bank.

Mr A. D. Wassenaar is today the mainspring in Sanlam. He is an actuary with a business sense, ambitious, acquisitive, a professional manager spurred on by patriotism and profits. Mr Hendrik Brink has built Federale Volksbeleggings into a £20.2 million corporation whose funds percolate everywhere. Rotund, he is a school teacher turned accountant. And the man of the future is Mr Jan Marais, 46, an urbane extrovert of extraordinary charm, who has shaken the banking structure of South Africa to its foundations by taking the stuffiness out of it. Not for him the stodginess of English banking, which had been translated to South Africa almost without change. He chose the American approach and, backed by the resources of the floating cash in the Sanlam-Federale Volksbeleggings coffers, he has led the Trust Bank through hire purchase finance, personal lending and loan finance for companies until it has now become the country's third largest bank, with assets exceeding £135 million. One day all this new business is going to find that it needs richer Africans to be its customers, and more skilled ones to do its work.

poor type as far as mental capacity and educational standards are concerned."

In the building trade Africans have not yet been able to advance very far: the gap that separates skilled from unskilled jobs is too wide. Yet the industry expects its labour requirements to increase by 52 per cent over the next four years. It will not find these extra men in the white population.

It is not enough for the government simply to turn a blind eye on the colour bar: it is asking too much of industrialists to expect that they can go on planning costly expansion programmes on nothing more than a vaguely understood assurance that the laws will be bypassed and the labour actually forthcoming when it is needed. And even if the statutory barriers were to be scrapped altogether, this would be largely meaningless unless it were accompanied by a prodigious state programme to help Africans acquire technical skills. An infinitesimal 0.1 per cent of the economically active African population is educated to matriculation standard—a handful that cannot provide for the limited needs of the Bantustans, let alone the broader needs of the whole South African economy. Moreover, although the apprenticeship laws do not contain racial restrictions, Africans are not allowed to attend white technical colleges and so cannot obtain theoretical instruction; employers will not indenture them and white artisans will not give them training.

If Africans are to meet the manpower shortage—and there is no one else who can—the government will have to remove such obstacles. It will have to overhaul the "Bantu education" system, throw out the present inferior syllabuses and step up its financial support so as to raise dramatically the present inferior standards. It will have to preach against prejudice and provide for the training of African artisans. It will have to allow African admission to the technical colleges and readmission to the universities formerly open to all races. It might have to remove discriminatory laws and give Africans full trade union rights. But has there ever been a government capable of repudiating its own entire history?

EVEN THE PORTUGUESE

Dr Salazar is 76: after he leaves office the still-stubborn Portuguese might become willing to move their African colonies towards independence. "Domination" is not such a horrid prospect as for the South Africans. Their attitude to blacks is different from the Afrikaners'; and they have a homeland in Europe.

Two military events in the past year, both of them tiny by the big world's standards, have changed the political balance within Africa. The first was the tough nonchalance with which a few hundred white-skinned hired soldiers brought the north-eastern Congo to heel after its rebellion against Mr Tshombe. The second is the fact that since last September the Portuguese—even the Portuguese, is how Afrikaners put it—have been calmly coping with three "rebellions" at the same time. Of the two, the second is the more important. Since 1961 the Portuguese have been challenged three times by insurrections supported by black neighbours: in 1961 in Angola; in 1963 in Portuguese Guinea; and since September 1964 in Mozambique. Hardly anybody thought they could hold their own in all three. Yet they seem to be managing; if they can, what have the whites further south to fear?

In Angola, the rebels of the Bakongo tribe have been penned up for nearly three years inside a sack-shaped stretch of forest in the north of the country touching the Congo border. The coffee is growing again around Carmona, and one bounces along the red-dirt roads near the rebel jungle with only a small itch in the small of the back. Stalemate has also descended on Portuguese Guinea, with somewhere between 20 per cent (the government's admission) and 40 per cent (the rebels' claim) of this little territory in insurgent hands; the exact figure is not very important because most of the occupied area is swamp and jungle.

In Mozambique there have been three outbreaks of fighting since trouble began last September. One, on the Malawi border, has now died away, with the rebels (or invaders, according to the Portuguese version) having pulled back into Malawi after some brisk skirmishes with a Portuguese-officered company of African troops. In the far north-west of Mozambique, along Lake Malawi, rebels continue to make occasional forays from training camps in Tanzania; among the recent casualties was a black Anglican missionary. But the main centre of disaffection is the area inhabited by the Makonde tribe in the north-east. Here the rebels, with more camps in Tanzania to fall back on, are in much the same position as the Bakongo insurgents in Angola.

They can deny a fair stretch of country to the Portuguese, and ambush intruding patrols, but they have had little or no success in spreading outside their present pretty narrow area of control. The Portuguese, with a couple of battalions of troops in the northern trouble areas and reserves waiting further south round Beira and Lourenço Marques, look pretty unruffled. Their highly efficient police rounded up two or three hundred members of African opposition groups in Lourenço Marques at the turn of the year; some of these have since been shown to visitors, including a poet and a painter who say, which may or may not be true, that they have been allowed to go on writing and painting in prison. The total number of Portuguese troops killed in action between September and June in all three Mozambique trouble areas is 26, according to the official figures; one finds no reason to doubt them. All in all, it looks as if any potential rebellion in the towns has been cut off at the roots, and the insurrection in the north can be contained unless somebody puts a lot more effort into it.

Unlike the South Africans, then, the Portuguese have had to face an armed challenge to their power. Unlike the South

Africans, again, they have reacted to the challenge by trying to remedy some of the grievances that brought it about. The Lisbon government is rocklike in its unwillingness to cut the link between Lisbon and the "overseas provinces" in Africa, or to introduce what other western countries would recognise as democracy. But it has introduced a number of major administrative reforms that change the flavour of Portugal's rule for the better.

The fact is that the Portuguese and the Afrikaners have very little in common except a common determination to prevent the African nationalists from taking over. Of all Europeans who have settled in Africa the Portuguese are the least conscious of racial distinctions. They marry black Africans, dance and eat with them, share hotels with them, and work under them in the civil service hierarchy, at any rate if they are "assimilated." Africans (a category that covers an admittedly derisory one in fifty of the non-whites in Angola and Mozambique). Most of the eleven million Africans in Angola and Mozambique live in exceedingly primitive conditions; Portuguese money has not yet been forthcoming in the necessary quantities for African education, housing and the like. The richer South Africans have spent more on their own Africans' welfare. But they see Africans as a race to be set apart; the Portuguese include Africans in all humanity. Thus when they get the sort of fright they got in Angola in 1961, they do something.

The trouble is that putting things right needs not only good intentions, but also the means of implementing them—money, and toughly competent civil servants. Portugal has large supplies of neither, and the result is that the post-1961 reform programme in Portuguese Africa looks singularly like a curate's egg. In Angola, for instance, the job of remedying the abuses of the old system of contract labour was given after 1961 to a good and hard-working man called Dr Alfonso Mendes. Though Dr Mendes never had as many inspectors under his command as he ought to have had, his Labour Institute briskly put a stop to the bad old habit by which labour recruiters got local chiefs out in the back-country to detail men for work on the plantations or in the docks. "Contract labour" under these conditions often amounted to forced labour. The labour law was changed after 1961 to remove most of the references to a "moral obligation" to work, and to forbid local administrators to take part in the recruiting process. Dr Mendes seems to have made the reform stick.

In Mozambique, by contrast, when your correspondent visited the local Labour Institute in June, it took them twenty-four hours even to find out the number of men still employed under the contract system. The figures, when they were produced, suggested that the number had been cut to a fifth of what it was in 1961. The officials also claimed that recruiters no longer went out into the bush to enlist workers; men who wanted to work under the contract system, they said, now had to come to the towns to search out the recruiters in their offices. It may be so. This correspondent can report only that Mozambique's Labour Institute did not give him the sense of bustling zeal for reform he got in its equivalent in Angola.

Where Mozambique has out-paced Angola is in having ended the pre-1961 exploitation of African cotton-growers. The sparkling new buildings of the Cotton Institute on the outskirts of Lourenço Marques house a group of men who, under the leadership of Dr Mario de Carvalho, have done battle with Mozambique's cotton barons and think (with their fingers crossed) that they have beaten them. Under the old system a "concessionary" (usually a powerful company) was given sole cotton-growing rights over a vast tract of the country. Each concessionary provided local Africans with seeds and tools, and bought the resulting cotton. Given the concessionaries' monopoly position, they were able to buy cheap; there is also plenty of evidence that some concessionaries bullied Africans into growing cotton against their will.

Under the new system, the cotton barons are restricted to buying the stuff; the growing is done by African farmers working independently under the protective eye of the Cotton Institute. This needed a big fight in 1963 and 1964, when the former concessionaries tried to sabotage the scheme by persuading merchants not to buy cotton. The Cotton Institute won the battle by buying and marketing the cotton itself. The determined young men of the Mozambique institute, unlike their vaguer-looking colleagues in its Angolan equivalent (much less cotton is grown in Angola), have a reformer's gleam in their eye. They represent the best force at work in Portuguese Africa: the decent-minded public servants who want to stop Africans getting hurt in the businessman's scramble for profits.

But stopping abuses is one thing; taking Africans into the government of the country is another. Both Angola and Mozambique have made a start on the vast job of giving the illiterate mass of Africans a rudimentary grasp of the Portuguese language, by dotting the countryside with one-room "education posts" manned by "monitors." Angola is a couple of years ahead of Mozambique in this process, which will pretty sharply expand the number of Africans qualified to enter the regular primary school system.

But education makes people think. In all of Portugal's overseas territories the old distinction that debarred most of the black population from full citizenship has been abolished. Everyone is now entitled to vote, provided he is literate or pays a modest amount of tax each year. What is this going to mean?

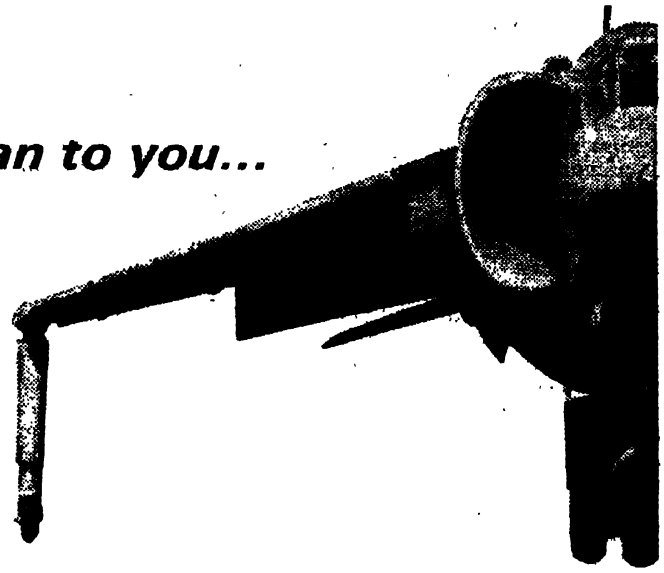
In the short run, very little, because the top-heavy authoritarian structure of Dr Salazar's Portugal pays about as much attention to elected bodies as colonels do to barrack-room lawyers. In the longer run,

though, the Portuguese may find that the institutions they intended to make of clay have turned out, like Galatea, to come embarrassingly to life.

Take the case of Mozambique. Most of the members returned to the legislative council in last year's election were chosen the safe, indirect way, by the various organisations which in the Portuguese system speak for business, the (white) trade unions, culture and so on. Only a minority got there by direct election, and of these all but one were unopposed; the total number of voters taking part in the direct part of the elections was only 100,000. The result is not a complete bunch of yes-men—the council includes quite a few people who want a greater degree of independence from Lisbon—but the governor-general's powers are so wide that the council is just not a real counter-weight to the executive. But when the next election comes round in 1968 the change in the voting qualifications will have swollen the electorate enormously. The officials responsible for registering new voters think it may be as big as a million and a half. This is a real potential force.

A big, black electorate (the new voters will be almost all Africans) will have to be either sat on, or allowed some way of expressing itself. Dr Salazar would undoubtedly prefer to sit on it. His successor may not; people with votes are harder to sit on than people without them, especially when they are beginning to be given the education that will let them realise what other black electorates in Africa can do. Unlike the South Africans, the Portuguese have taken a first tiny step along the road to giving their black majority a share of political power. They may find themselves being pushed on to other steps: first, say, an increase in the directly elected element in the legislative council. Pygmalion may be in for a surprise.

What does the name Hawker Siddeley mean to you... apart from Aviation?



This, for instance?

DIESEL-ELECTRIC LOCOMOTIVES Here's another world first for Hawker Siddeley—the Hawk. Made by Brush, this experimental diesel-electric locomotive incorporates an entirely new transmission which eliminates commutators and their problems. The Hawk is developed in collaboration with British Railways.

A product of Brush Electrical, a Hawker Siddeley Company.

HAWKER SIDDELEY
18 ST. JAMES'S SQUARE, LONDON S.W.1

HARNESSING BRITISH CREATIVE ENGINEERING TO THE WORLD'S NEEDS

Aircraft: space: diesel engines; electrical power generation and distribution; electronics; alloys; general engineering products; worldwide sales and service.

DR VERWOERD'S BRITISH COLONIES

It is two years since Dr Verwoerd made his offer to the British territories of Basutoland, Swaziland and Bechuanaland to become their "guide or guardian to independence and prosperity." Since then, each protectorate has held a general election (two on adult suffrage) and each has returned a conservative-minded government seized of the importance of being a good neighbour of South Africa's. Mr Seretse Khama was banned from South Africa until he became Bechuanaland's first prime minister in March, and the first Basutoland prime minister, Chief Sekhonyana Maseribane, remembers being turned away from a Bloemfontein bank-counter. But Mr Khama has had to acknowledge that "trade with the republic is our lifeblood," while the king of the Basutos, in his speech from the throne in May, said resignedly; "Lesotho [Basutoland] has only one neighbour, and my government will adopt a policy of co-operation with that neighbour."

Lesotho

In a way this is true of all three territories, although only Basutoland—whose self-government name is Lesotho—is completely surrounded by the republic. In its elections in May, Chief Leabua Jonathan was heavily attacked by the other parties for the support he was receiving from South Africa. He flaunted the fact that he was Pretoria's favourite and his mountain-hopping canvassing in a Bloemfontein-supplied helicopter helped his Basutoland National party to its narrow victory. When drought followed the elections, he made a personal appeal to Dr Verwoerd for 100,000 bags of corn which were duly sent; this led to an angry battle in the Lesotho parliament on July 19th. (Chief Leabua himself lost his seat in May; the interim prime minister, Chief Sekhonyana, handed back the post when Chief Leabua won a by-election on July 1st.)

His main opponent, Mr Ntsu Mokhehle of the Congress party, once positively welcomed the thought that South Africa might show aggressiveness against Basutoland because he believed that this would involve the United Nations and speed the liberation of all southern Africa. But this summer his greater concern was to press the South African government to pay a recruitment levy of £50 for every Basuto who went to work on the mines and farms of South Africa. With as many as 180,000 so employed, such a levy might double Lesotho's present revenue of £4 million; but neither Dr Verwoerd nor Mr Harry Oppenheimer, who mines the gold, diamonds and copper, seems taken with the idea. These migrant workers send home more than £1 million a year anyway, and customs duties collected by the South Africans provided roughly half of the territory's revenue last year.

The prospects for the swift development of agriculture are not great in this badly eroded country. The important mohair trade is controlled from South Africa. The expansion of small industries has gone slowly, despite the formation of Bafed (Basutoland Factory Estate Development): only two petrol depots and a window-frame factory had been installed by August. Chief Leabua is in favour of tax inducements to foreign investors; one consequence would be that Basutoland, which now has only 2,000 whites among its 880,000 population, would become open to South African investors.

If Britain eventually decides to help finance the long-hoped-for £14 million Ox-Bow hydro electric scheme in Lesotho's northern mountains, the power and pure water thus made available would almost all be sold to South Africa. Britain pays a £1½ million subsidy to the Lesotho budget, but development aid from Britain to all three protectorates has amounted to only £7.7 million over the past three years. Lesotho can, by agreement, ask for a date for political independence after next May. Genuine economic independence is still very far over the horizon.

Swaziland

Swaziland, by contrast, can hope to be solvent by 1968. Last year Britain gave a £1.6 million grant-in-aid towards budget expenditure of £4 million. Inland (like Lesotho), it gets to the Indian Ocean through Mozambique. It benefits from a £40 million private-enterprise contract to sell iron ore to Japan. Mr Oppenheimer has come in with the Ngwenya iron ore mine and its £9 million railway; there is also the Edwaleni hydroelectric project. With the money, the whites have come. There are 280,000 Swazis; 10,000 whites among them own nearly half the land. A minority of these whites hold South African passports, but it was the South Africans in the United Swaziland Association that helped the Imbokodvo, the king's party, to sweep the polls last year.

Chief Leabua Jonathan

Once it seemed that King Sobhuza would like his country to become a Bantustan within South Africa. He was attracted by Dr Verwoerd's half-promise to restore to Swaziland parts of the eastern Transvaal and by the hope that incorporation might ensure his tribal position. But the overwhelming victory of Imbokodvo ("grindstone") secured the position of this 75-year-old paramount chief while Prince Makhosini, the Imbokodvo leader, caught a touch of pan-Africanism after a tour this year. In his first policy speech the prince called "a deliberate lie" the assertion that it was his party's plan "to deliver Swaziland into the hands of the republic; nor are our policies apartheid policies."

Yet his country's dependence on South Africa is considerable. Its sugar industry, with production worth nearly £4 million in 1963, depends on agreement with South Africa. Part of its hope for early solvency is based on the expectation that Dr Verwoerd will agree to a redistribution of customs revenue between the three territories that would more than double the Swazi share. British money is in sugar, pulp (Courtaulds), and asbestos (Turner and Newall). The Commonwealth Development Corporation has a finger in most Swazi pies. But South African investment dominates in timber, citrus and most farming enterprises.

Swaziland is the least politically advanced of the three territories, with only four elected members in the executive council, and with a Queen's commissioner, Sir Frank Loyd, in direct control of the executive. The Mozambique African nationalist rebel Dr Mondlane, recently accused Britain of changing its policy on refugees in Swaziland under pressure from South Africa and Portugal by allowing two Mozambiquans to be kidnapped and consequently frightening the other 300 refugees away. Britain has admitted the disappearance of the two men, while denying any change of attitude about political asylum. A British infantry battalion, the Gordon Highlanders, was based in Swaziland for two years. Theirs was at first a strike-breaking mission; the presence of their successors is a firm sign of Britain's involvement in and protection of Swaziland.

Bechuana

Offering a corridor to the north between Rhodesia and South Africa, Bechuanaland (independence name: Bechuana) has seen 1,700 refugees through in five years. But its role as an escape tunnel, not to mention its whole economic position, would be jeopardised if it allowed itself to be used as a base for guerrilla opera-

tions. Nearly 25,000 Batswana (total population: 540,000) worked in South African mines in 1964 and the money they sent home made up a tenth of the country's export earnings of £3.5 million. The more obvious forms of South Africa's influence may be diminishing: it is yielding to Rhodesia the administration of the whole 394-mile stretch of railway through Bechuana, and this year the country's capital was actually moved inside its own borders —from the "Imperial Compound" at Mafeking in the republic, to Gaberones. But 60 per cent of its £2.5 million worth of cattle exports go to South Africa, although the alternative market—the Zambian copperbelt—has grown since the Congolese supplies have been disorganised by strife in that country.

Mr Khama, whose Democratic party won 28 of the 31 elective seats in March, says that he does not believe that Dr Verwoerd retains any thought of incorporating Bechuana in South Africa. But its independence would be more assured if the link with Zambia across a pinpoint of common border were strengthened. A £1.2 million loan negotiated a year ago towards building a road along the 300 miles from Francistown to Maun was the first big move towards this end. Maun could become an important development centre if plans were to go ahead to make something of the water resources of the 6,500 square miles of the Okavango delta. One official suggestion has been to use it to irrigate 300,000 acres in the Mababe depression, and certainly the north has the most fertile soil. But most of the Batswana live close to the railway along the South African border; development of the far-away north could involve social and tribal upheaval. Copper and salt deposits much closer to Francistown may provide an easier escape from the present poverty, which made Bechuana turn to Britain to cover 44 per cent of last year's budget.

Britain is in the process of withdrawal from all three territories. Now everyone, from big mining companies to remote herdsmen, must look on Dr Verwoerd as the ultimate, if not paramount, chief.

An Afrikaner's Reply

Die Burger

To see how the ideas about South Africa set out in these pages struck an Afrikaner, we asked the deputy editor of Die Burger *of Capetown to write an article in reply. Here are Mr S. W. Pienaar's reactions:*

In suggesting its policy for southern Africa *The Economist* seems to feel that it is sticking its neck out a long way. Else why the rather uncharacteristic hums and ha's? But let us not look a gift horse in its hum or its ha. Let us disregard the marked tendency towards over-grudged praise and over-stressed criticism of South Africa and stick to the main point. *The Economist* observes that "it is inside the political, social and religious structure of this tightly knit and strange African tribe of Afrikaners that the solution for South Africa must initially be sought." Secondly, "that since their National party government came to power in 1948, the net effect of the world's attacks upon apartheid has been to drive an increasing number of English-speaking whites into their laager." Thirdly, that it is in the interests of black Africa, white Africa and the western world that some sort of deal be arrived at.

Intensely as I dislike the word "deal," any suggestions based on the acceptance of the fact that a white African nation has the same right of existence in Africa as any black African nation must be welcomed as a refreshingly realistic approach to a question that has too long been bedevilled by sentimental clichés, uninformed criticism and emotionalism. Let us not weep on each other's shoulders over might have beens. But what a pity that this sort of realism was nowhere in evidence in the years following 1948. How desperately eager the Afrikaners were to be understood. What a profound lack of understanding and how much unintelligent and bruising enmity they met.

Came the Belgian Congo, came Algeria, came the Federation of Rhodesia and Nyasaland—in fact every policy and suggestion that Europe had for peace and coexistence in Africa. It makes melancholy reading today. So eventually comes the suspicion that there is more to South Africa than horns and a tail. That man Malan and this man Verwoerd, was the one and is the other really no more than a fool and a knave? *The Economist*, at any rate, seems to feel not quite.

The case for an understanding is stated somewhat negatively: you meet those blockheads halfway or they make such a God-awful mess you will be sorry you did not. Still, negative or not, we are thankful for small mercies. Or are we?

In the past two decades the whites in southern Africa, with the exclusion of little more than the crackpot fringes, have drawn together under an improving united front under the leadership of that "strange African tribe of Afrikaners" and under the stress of impossible demands from outside that coincided with and stimulated impossible demands from black Africans. Attitudes have hardened enormously. Those who have tried to work for an understanding with the western powers have lost the day against those who made the early decision: They don't want an understanding; nothing but abdication will satisfy them. The large majority of us are saying: We have had the West. We have our own ideas. Let us go it alone.

It has become rather late in the day for the West to exert a positive influence on South African affairs, but not too late. What is needed is a realistic reappraisal. There has up till now been a serious underestimation of the will to live of the white man in southern Africa, of the genuine intent of the policies that are applied, of the power of upholding such policies and of the acceptance of them by non-whites. If these can be rectified and if once the basic validity is accepted of the coexistence of separate communities, if the West were to exert its influence to strengthen this concept instead of undermining it or were at least to stop inciting non-white South Africans by direct or indirect means to reject it out of hand, and in that way were to assist the acceptance of the one surviving proposition in Africa to solve the problem of multiracial coexistence—then a vast field would open.

Once the concept of separate communities with separate freedoms is established, the whole picture will change. Concessions? Of course concessions can be made. But there is a fundamental difference between a concession intended to pave the way for more concessions on the route to black domination, and a concession paving the way for more concessions leading to a more peaceful and more friendly coexistence of separate communities and of individuals belonging to such different communities. The first is utterly unacceptable, whatever the outside pressures. The second would not need outside pressures, but could be greatly assisted by outside understanding.

Against this background and in the absence of even the semblance of a policy statement on southern Africa by the western powers, it is not possible to comment on the particular suggestions of *The Economist*.

A postscript seems to be necessary. If, as is so forcefully stated, *The Economist* believes that the Cape Afrikaners have been "thoroughly smashed as a political force by the diehard Transvalers," why ask a Cape Afrikaner to express an opinion at all? I have ventured to comment because I know *The Economist* is wrong, that the Cape-Transvaal confrontation is a myth in so far as it suggests fundamental differences. Of course there are differences of approach that do provide more and less serious irritations, but also lots and lots of fun, in politics as in rugby. It is a situation that is very often dismally misunderstood even by reasonably informed observers.

Specialist services that open the door to further prosperity

Available in the Investment Department:

- Expert advice on all matters relating to finance
- Underwriting and handling of new issues of share capital and debentures
- Flotations, Stock Exchange listings, reconstructions, mergers and take-over deals
- Investment advice
- Management of investment portfolios and share valuations for pension funds and institutional and private investors
- Specialised investigations of companies, business sectors and economic conditions
- Economic bulletins and reports issued periodically

Available in the Banking Department:

- Call and fixed deposit facilities for surplus funds
- Financing of imports, exports and local business transactions
- Acceptance credits for financing movement of goods
- Discounting of approved bills of exchange
- Specialised loans for bridging purposes — to acquire plant and equipment or finance book debts
- Medium-term credit and contractors' finance
- Foreign exchange transactions, letters of credit, overseas payments and collections

Comprehensive brochure supplied on request, from:

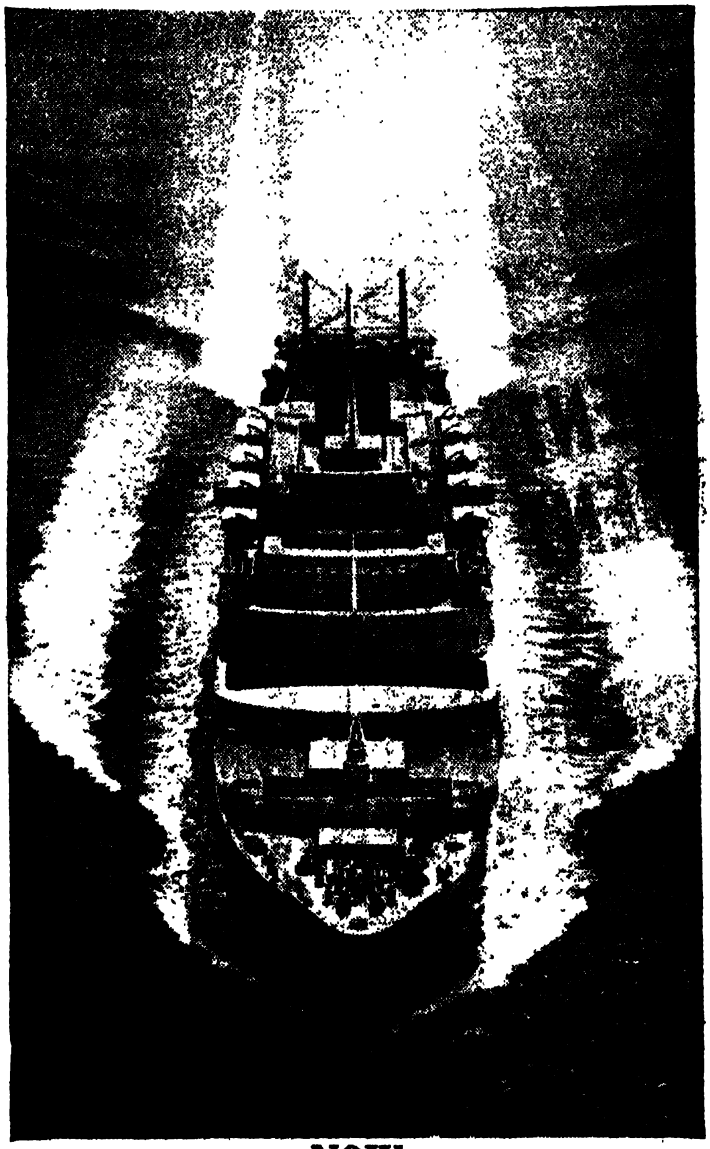
THE CENTRAL ACCEPTING BANK LTD.

(Registered Merchant Bank)

JOHANNESBURG (Head Office): Mynbou House, 47 Main Street, Tel. 834-7901.
CAPE TOWN: Sanlam Centre, Heerengracht, Tel. 41-1813.
DURBAN: Sanlam Centre, 417 Smith Street, Tel. 2-7040.

Directors: Dr. M. S. Louw (Chairman); P. H. V. Bamford, R. E. M. Blakeway (Alt. C. de G. Waterneyer), Dr. G. H. Hansmann; H. S. Marais; Lt.-Col. K. Rood; P. J. F. Scholtz. General Manager: J. A. Venter

VZ001424



NOW, SOUTHAMPTON/CAPE TOWN IN UNDER 12 DAYS

The Union-Castle Service of mailships has now been accelerated. Sailings every Friday at 1 o'clock: five big passenger ships (also carrying cargo) and two cargo ships, in rotation: arriving in Table Bay, Cape Town, 11½ days later, via Las Palmas. You need only miss eight days from the office, and air connections at Las Palmas can save you even more time.

These two cargo ships, "Southampton Castle", later to be joined by "Good Hope Castle", will be the most powerful cargo liners afloat.

Travel luxuriously, or speed your freight, by

UNION-CASTLE

THE BIG SHIP WAY TO SOUTH AFRICA

Chief Passenger Office:
19 Old Bond Street, London W1
HYDe Park 8400

Freight Department: Greenly House,
30 Creechurch Lane, EC3
AVEnue 4343

QUALITY COVERAGE IN SOUTH AFRICA

CAPE TIMES

The only English-language morning daily covering Cape Town and the prosperous country districts of the Western Province.

CAPE TIMES WEEK-END EDITION

Includes popular magazine supplement.

NATAL MERCURY

The only morning daily in Durban covering all Natal, Zululand and East Griqualand.

S.A. WOMAN'S WEEKLY

Thursday Supplement to the Natal Mercury, and one of the most important women's media in the Republic.

RAND DAILY MAIL

The only English-language morning daily covering Johannesburg, and all the Transvaal intensively.

SUNDAY TIMES

The greatest newspaper in Southern Africa. Published from Johannesburg. It has a national circulation in the Republic and Rhodesia.

SUNDAY EXPRESS

The family paper publishing in Johannesburg and Cape Town, contains 2 special supplements "The Home Journal" and "Mainly for Men".

DIE LANDSTEM

South Africa's largest midweek newspaper, also the largest circulating publication in South Africa printed in Afrikaans —the country's most widely used European language.

U.K. REPRESENTATIVES:

JOSHUA B. POWERS LTD.

27, COCKSPUR STREET, LONDON, S.W.1
Telephone: WHI 6322.

Editorial Office: W. Ward-Jackson,
"Daily Telegraph", Fleet Street, London, E.C.4

by Dr Harrison. The nature of their theme, however, forces them into comparisons between the structure and dynamics of the British labour movement and those of other countries, and they are forced to assess as critically as they can the work of the greatest intellectual of the period, Karl Marx. Although Marx was not present at the foundation meeting of the International, he was very quickly drawn into the direction of its activities, holding together its separate elements and guaranteeing its survival, if only for a very few years.

There are many paradoxes in the story of what happened. The International had its roots in Britain, but continental divisions broke it up. Marx relied on British working men, but he never took them fully into his confidence about his revolutionary aims and purposes. "The English," he maintained, "have all the material requisites necessary for the revolution. What they lack is the spirit of generalisation and revolutionary ardour." It was German social democracy, not British, which became Marxist in outlook and tactics in the decade after the collapse of the International. Given that Marx and Engels played the critical part in winding up the International when it had ceased to serve their purposes —Marx was tired of faction fights and wanted to get back to his "theoretical studies"—it is difficult to avoid the conclusion of the *Saturday Review*, reached as early as 1868, that

> the German prophets of revolution probably despise the English artisans who, only half understanding their doctrines, allow them to speak in their name.

Dr Harrison gives many reasons why the English artisans did not deserve to be despised. At a time when, despite the International, labour history seems suspended between two periods of more turbulent agitation, there was enough labour pressure in England to make labour politics more interesting than most historians have believed. Labour leaders were not inspired by "the boundless Utopia of revolutionary expectations," but they were active in the fight for the extension of the suffrage, the winning of trade union rights, and the international co-operation of working men. They were forced to define their attitudes towards particular non-labour leaders, notably Bright and Gladstone, even if they were not compelled to spell out all their views about "class." There were tactical differences between them, and as Dr Harrison sagely notes,

> the serious student of the labour movement knows that internal conflict is as much a law of its development as is the struggle against its enemies.

Among Dr Harrison's themes are the reactions of British labour to the American Civil War, the struggle for the franchise in 1866 and 1867, and the fascinating relations between labour leaders and Positivists in the 1860s and '70s. On all these themes the two books overlap. The American Civil War was part of British working men's training in internationalism, along with Poland and Garibaldi. The fight for the Reform Bill of 1867 came half way through the history of the International. It was sufficiently successful to persuade most English labour leaders that they did not need a revolution. As for Beesly, he won the respect of Marx to such an extent that Marx suggested that he should write an article on the International for the *Fortnightly Review*.

Wrong Tack

Boswell's Political Career

By Frank Brady.
Yale University Press. 215 pages. 37s. 6d.

More than most men, Boswell misjudged his talent. Throughout his life the greatest biographer who has written in English strained sadly and incompetently towards political success; save for the Recordership of Carlisle, gained and lost at the whim of the unpleasing Lonsdale, and the temporary triumph of his first "Letter to the People of Scotland," he never came remotely within sight of his goal. Reasonably capable as an advocate, not unaware of his literary powers, he was blind to his complete political incapacity; and he squandered his time and energy in abortive attempts to scale the modest eminence of the Ayrshire seat.

It is this paradox that Professor Brady expands in his scholarly volume (too scholarly for the average reader but indispensable to Boswellians), which also provides an illuminating picture of the mechanics of eighteenth-century politics. Though his pages are occasionally festooned with footnotes, Professor Brady's narrative remains clear: and he traces "the story of a man who mistook his own nature and fortune" from the too-early success of "Corsica" through the shifts and sleights, the pamphlets and the squibs, the jealousy of the successful Dundas to the end of "a life of long and constant disappointment."

For even as late as 1791 Boswell could write, in one of those pleasingly naïve, third-person descriptions of himself to which he was prone,

> It was generally supposed, that Mr Boswell would have had a seat in Parliament; and indeed his not being amongst the Representatives of the Commons is one of the strange things which occasionally happen in the complex operations of our mixed Government.

Not so strange, in fact: as a writer possessed of a clear and luminous style and capable of masterly organisation and sustained effort, Boswell the politician was neither clear nor luminous in his convictions ("a Tory with Whig principles," he venerated ancestry, accepted the patronage of Lonsdale yet defended Wilkes and the American colonists) nor intelligent in his practice (to sing a ballad of his own composition, "William Pitt, the Grocer of London," no less than six times at the Lord Mayor's banquet can hardly have impressed Pitt with his stability). Indeed, in his political machinations Boswell must frequently appear an ass, if never a malevolent ass; neither the weakness nor the goodwill indicates any great aptitude for politics.

OTHER BOOKS

D-DAY BEACHES POCKET GUIDE. By Patrice Boussel. *Macdonald.* 222 pages. 15s.

This book combines a chronological history of the landings with maps and descriptive guides for those interested in touring the area. It was published to coincide with the 21st anniversary of D-Day. It might have been a good idea to take a jump up the coast and include the Dunkirk area in the guide, to mark the 25th anniversary of the evacuations. The illustrations are good.

LONDON. (9th edition.) Edited by Stuart Rossiter. *Benn.* Blue Guides. 359 pages. 22s. 6d.

An enlarged edition of the original Short Guide to London. The style and format are old-fashioned, but the solid amount of historical and geographical information is probably unequalled. New London landmarks such as the Hilton and the Shell Centre are included, together with rather more out-of-date observances, e.g., that Paddington is a "well-to do" residential area, and that Kensington Gardens "are a favourite resort of children and their attendants," which, although undoubtedly true, does not sound like the 1960s. Museums and art collections are given a special section, and another covers excursions from London.

A HISTORY OF POSTWAR AFRICA. By John Hatch. *André Deutsch.* 432 pages. 50s.

Mr Hatch has set out to write a comprehensive work, but the territorial division of his subject makes a somewhat disconnected effect. Certain common themes – in particular economic problems – are treated cursorily, and, in a work published in 1965, the treatment of relations between the new African states is inadequate. What remains is a catalogue of decolonisation, but this hardly lives up to the title of the book.

WHO OWNS WHOM

(U.K. Edition) 1965

8th Edition:

Over 53,000 entries

U.K. parents showing subsidiaries and associates throughout the world

U.K. associates and subsidiaries showing parents throughout the world

U.S. parents shown U.K. subsidiaries

"... the invaluable book of parent, associate and subsidiary companies."

The Economist

"... a fascinating directory of U.K. parent and subsidiary companies."

The Guardian

"Each year Who Owns Whom grows bigger and better. ... This is an invaluable work of reference ...."

Investor Chronicle

£8 post free

through booksellers or from the publishers

Also available: Quarterly Supplements for June, Sept., Dec. 1965 and Mar. 1966

£1 the set of four post free.

Publishers:

O. W. ROSKILL & CO. (REPORTS) LTD.

14 Great College Street, London, S.W.1

BUSINESS BRIEF

A second bombshell in two weeks was the revelation on Tuesday that the true loss to Britain's reserves in July must have been in the order of at least £100 million, probably much more.

This news brought continued hedging in the forward sterling market—and a spate of rumours. But the volume of spot selling was kept in check.

The bourse in London moved erratically—and indecisively—with the pound in the forefront of everyone's mind. New York plucked up courage on some good business news there. And Japan advanced well above the previous support level.

THE SIX MOVING BACK INTO STEP?

Our judgment two months ago that the pace of economic activity in the Six, so sluggish during the winter and spring, could pick up by the autumn has been seconded by the common market Commission. In its latest quarterly report, the Commission notes that for the common market countries as a group the tempo has already begun to quicken.

The German boom has not yet faltered. Italian recovery, if disappointingly slow, at least is no longer in doubt. French economic activity, too, is picking up, if only gently. Output in Holland is bumping along its ceiling. Only in Belgium is activity weakening. **For the year as a whole, and for the Six as a whole, the Brussels prognosticators now forecast a 4% increase in GNP (gross national product)—rather a better gain than originally foreseen.**

Looking still further ahead, they foresee a 4½% rise in 1966. The major impetus is expected, increasingly, to come from domestic demand, especially personal consumption and, in France and Italy, public investment.

The Commission expects the GNP gain in virtually all of its member countries to fall within 4-5%. Quite a contrast from the last two years, when performance in the different countries will have ranged from recession in Italy to 7½% growth in Holland. **It implies, for the three dominant partners, slightly slower growth for Germany but much improved gains for France and Italy.** For the latter two economies the Commission's forecasts may be too optimistic. The OECD has grave doubts about French prospects for still faster recovery.

Germany

Germany's remarkable boom goes on. In the first five months of the year, industrial output was running 7% above last year. The major push is still coming from home demand: fixed investment and, increasingly, consumer demand are buoyant. Replenishment of stocks of intermediate products may have passed its peak. But retailers are scrambling to build up their stocks of consumer goods. Full employment, overtime and higher hourly wage rates have underpinned earnings, running 11% over 1964 levels. Moreover, export demand seems to be picking up again—and this stronger trend is expected to continue into 1966 as Italian and French growth quickens.

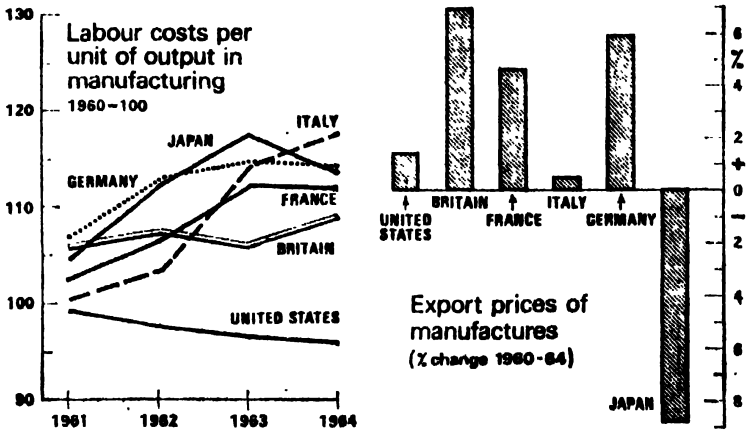
But the economy is already working flat out. So actual output gains are bound to narrow in the months ahead. Unemployment is down to 0.6% of the labour force. Nor is it likely that Germany will be able to maintain—much less better—its recent rapid gains in productivity. There will be a considerable time lag before the current investment boom makes an impact on this.

The implication of all this is somewhat slower growth and increased strain. **The warning signs are already there: lengthening delivery dates, a quickening and more widespread rise in prices and, in June, for the first time since 1958, a deficit on trade.**

France

Although resigned to perhaps only a 2½% rise in GNP this year, France is still aiming for 5% a year in its 1966-70 plan. It looks too

COSTS AND PRICES



ambitious a target. The economy certainly is still recovering from the dangerous lull of the winter. But May output remains just level on 12 months, and in June the labour market eased. Nevertheless, businessmen are undeniably more cheerful about prospects for orders and output for the months ahead. **A stronger upturn by autumn still looks on the cards helped along by further official measures to stimulate demand, above all private investment demand.**

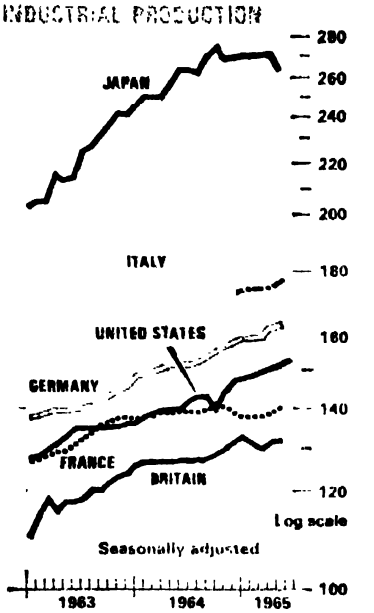
The latest government survey forecast a further 16% drop in private industrial investment this year—and at best hesitant recovery in 1966. In response the authorities now propose to float a special Frs. 1,000 million ($200 million) government loan this autumn and turn the proceeds over to businessmen to finance investment. This, on top of the earlier easing of the credit squeeze, should help underpin growth. There is nevertheless no prospect that France will achieve 5% growth in 1966. Assuming private investment revives, the common market Commission reckons real GNP could increase 4%. What is in doubt is that the recovery in consumer demand—which the OECD considers essential to get revival in investment—will get well under way without government help.

There can be no doubt that the long pause in activity has eased inflationary pressures in the economy. On July 1st wholesale prices were up less than 1% on 12 months. France's trade balance has been back in surplus since February and the reserves continue to rise strongly.

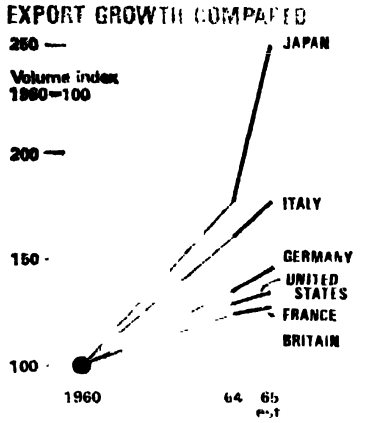
Italy

Slowly, painfully, Italy is climbing out of its recession. There is still uncomfortable slack in the labour market and idle plant. The building sector remains depressed despite the stepping up of public works. Activity is disappointing in textiles, capital goods and machine tools. On the other hand, the steel industry is thriving, helped by the switch from imports to home supplies. And the recovery in motor car output has rippled out to tyre and rubber plants. Production of domestic appliances also is recovering. At the same time prices have stabilised and the rise in labour costs slowed.

So far so good. **The danger is that as recovery gathers steam, Italy's hard-won poise will be lost.** What worries the government are signs —reflected in the pattern of industry fortunes—that consumption will drive the boom while the private investment needed to maintain the country's competitiveness will not be forthcoming. **Exports are no longer rising so swiftly: while imports have begun to recover hand in hand with domestic demand.** However, with Italy's reserves at the end of June at $3,781 million—up $905 million on 12 months—this deterioration will patently have to go much further before there is any cause for alarm.



Excluding construction in all countries and also in common market countries, the food, drink and tobacco industries



KEY COMMON MARKET INDICATORS

Businessmen's Views on Order-Books

No significant change in the order-book situation in the Common Market is recorded by businessmen in the "konjunktur" tests taken there in recent months. **If anything, there has been a slight deterioration on the export side.** In Germany the number of firms judging their total order-books to be above normal still exceeds those judging them below normal; but this is no longer true for export order-books.

Order-books in Italy and France are now both assessed at about the same degree below normal.

Difference (as percentage of replies) between the number of businessmen* judging their order-books above normal (+) and those judging them below normal (−).

		1964 June	1965 Mar.	April	May	June
Total order-books	Germany	+13	+ 2	+ 3	+ 1	
	France	− 8	−40	−37	−39	
	Italy	−53	−50	−42	−41	−42
	EEC†	− 6	−22	−19	−21	
Export order-books	Germany	+ 6	− 2	2	− 8	
	France	−15	−24	−20	−23	
	Italy	−38	−30	21	−26	−21
	EEC†	− 6	−13	−12	−27	

* In manufacturing other than food, drink and tobacco industries.
† Excluding the Netherlands.

This is the East...

Economic development in Asia is bringing higher living standards to these young people and to the vast population of that continent. Demand for an ever increasing range of merchandise is steadily rising. If you are interested in trade with these expanding markets, you are invited to avail yourself of the banking and information services of The Chartered Bank and its subsidiary, The Eastern Bank Limited. The combined organisation of the two banks comprises one hundred and thirty branches in twenty-seven territories extending from the Eastern Mediterranean to the Pacific Ocean.

THE CHARTERED BANK

(Incorporated by Royal Charter, 1853)

HEAD OFFICE: 38 BISHOPSGATE, LONDON, E.C.2

West End, London branch: 2 Regent Street, London, S.W.1 · Offices in the United Kingdom also at Manchester and Liverpool, in Germany at Hamburg and in the United States at New York and San Francisco

The Eastern Bank Limited HEAD OFFICE: 2 & 3 CROSBY SQUARE, LONDON, E.C.3

Associated Banks: The Irano British Bank (Incorporated in Iran) · Allahabad Bank Limited (Incorporated in India) The Commercial Bank S.A.L. (Incorporated in Libya) · The Chartered Bank of London (Incorporated in California)

BUSINESS

Sterling's Longest Year

Heads down, the Government and the Bank of England seemed determined on Thursday to ride out the latest financial squall, resulting from excessive publicity given to a peculiarly lightweight set of market rumours the previous day. The significant distinction between financial rumours is not so much the true and the false, as those that are and those that are not backed by the big money: and through all Wednesday's stock exchange gossip about a 9 per cent Bank rate, prices of even the shortest dated gilt-edged bonds held revealingly firm. In the foreign exchange market, uncertainty over the medium term future was again reflected in substantial sales of sterling forward, which continued on Thursday: but even then dealers reported that the pressure was nowhere near last November's.

This was partly, admittedly, because most operators no longer have any sterling left to sell. In that way, the continuous erosion of the last nine months has built up a position of considerable, if never fully convincing, technical strength. But equally, the same continuous erosion has produced a deep psychological weakness, increasing the pressure on operators to beg, borrow or sell forward, sterling they have not got. With each day's additional official support, draining gold out of the immediate till or adding commitments for the future, more people ask themselves how long the defences will hold.

In this sense, and precisely because the Government has by now taken the main measures necessary to correct the underlying payments deficit at least for the medium term, the sterling crisis is now more than ever a contest between the Government's determination and the speculators' fears and hopes. In these terms, some significant changes of front are silently taking place on the devaluation issue. Thus many people who have for some time been converted to the case for devaluation as a long term remedy have no desire to see this imposed against the declared will of the Government of the day. And those City figures who impressed on the Government the disastrous consequences for the nation and the world that would follow from a sterling devaluation last autumn should also think twice about changing tack now.

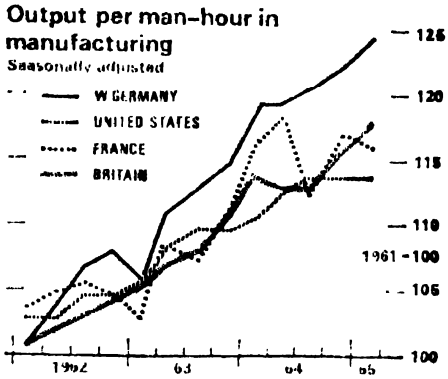
THERE have been at least half a dozen occasions since last October when it seemed certain that the fate of the sterling exchange rate would be decided one way or the other: it was not. Has this week been equally inconclusive? It was an extraordinary error in public relations that the Treasury did not indicate the extent of July's gold drain at the time that the Chancellor announced his severe measures ten days ago: this should have avoided the second and gratuitous shock suffered by the financial markets this week. The selling that began immediately before publication of the figures could easily have snowballed more quickly than it apparently did.

The proviso is necessary because even the closest observer of the foreign exchange market can no longer be sure of detecting precisely what is going on. Thus the heavy July losses are believed to have been incurred very largely on Thursday and Friday July 22nd and 23rd; yet the best market reports for those days speak of little or no official support in the spot market. A perhaps increasing proportion of big sterling transactions now by-passes the London foreign exchange market, both through dealings in New York that are routed through the Federal Reserve, and through liquidations of sterling by central banks. These certainly played a big part in the surprisingly large July drain, which reflected to a substantial degree direct switches out of sterling into gold. Thus it was in the gold market rather than in the foreign exchange market that the pressure on sterling was being exerted.

The immediate question is how much similar pressure is to be expected now. Gold has again been heavily bought this week—nine tons ($9 million) was demanded at Thursday's fixing, but only two fifths that amount supplied, pushing the price up further to $35.19 an ounce. But most of this demand reflected switches out of dollars rather than sterling, prompted by the news on Vietnam. Buying of gold coins on the continent was a sign that this was small man's hoarding as much as big time speculation.

Sterling is not generally held in the official reserves of countries outside the sterling area, with a few exceptions. One of the most important is China which, as a note on page 551 suggests, now has probably completed its sterling-gold switches. The really large official holdings of sterling, to the tune of over £1,800 million, are held by other sterling countries. This year's pressure has indeed partly reflected switching by some of the fringe sterling countries such as Burma. But there has been no sign of similar action by the larger sterling area countries—which would be a distinct breach of the sterling area spirit and of the unwritten sterling area club rules. In particular there are no signs of new switches out of sterling by Kuwait.

While these large official funds held in the reserves of Commonwealth countries remain intact, private speculation should surely not topple a determined defence of sterling on its own. Privately controlled sterling funds held by residents in other sterling countries totalled £516 million at end-March, and they must have been run down further since then. Since these include the funds of large British banks and other London institutions, they may well be near their irreducible minimum. Net sterling holdings by private and corporate residents of non-sterling countries were no more than £91 million



Britain's long payments crisis is producing the usual spate of generalised and inaccurate economic rationalisations. Productivity in Britain's factories, measured as output per man hour, actually rose by 4½ per cent a year between 1961 and 1964—higher than America's 4 per cent, nearly as high as in France (4¾ per cent) but still well below Germany's

at end-March, and by now they might well be negative—i.e. their London deposits and investments may be exceeded by their own London debts. The nine months' bear raid on the pound, involving a drain of somewhere around £1,000 million in all, has by now left most operators as short of sterling as they can get. This explains the occasional modest purchases of sterling in the exchange market. Continued nervousness has in recent weeks been reflected for the most part in hedging on the forward market, especially in forward sales of sterling six months ahead or even longer.

Despite this extreme caution about sterling over the long-term or even medium-term, many exchange dealers still believe that sterling will be held in the immediate future. That view is not difficult to rationalise. It stems in the first instance from recognition of the changed political considerations on the exchange rate between last autumn and this summer. Whether or not Mr Wilson was right in judging that devaluation last October would have been a massive political liability then, many more people would judge that it certainly would be one for Labour if done now. From this political standpoint, the Government may therefore be redoubled in its will to defend the $2.80 parity. Has it the power ?

THROUGH the Government's successive and inadequate series of autumn measures, and right up to the April budget, it was insisted in these columns that there was a yawning gap between the government's diagnosis and its prescription. Specifically, we then pointed out that of the five basic methods of closing a major payments gap—devaluation; export subsidies; massive fiscal deflation; continuously high interest rates; and controls on capital exports—the Government had determinedly chosen none of them. Yet if one looks at the issue in these terms now, one must surely recognise that, through the accumulation of its unremitting series of special measures, the Government has now taken a good dose of the last three of these remedies. High interest rates have been maintained for longer than at any time since the 1920s, and credit is also being kept on a tight rein quantitatively. Secondly, considerable restraints have been introduced to discourage overseas investment, and even before last week's stiffeners the April measures were bringing £1 million a week out of the premium market into the reserves. Together with an abatement of the first quarter's exceptionally heavy repatriations of sterling by American companies, this apparently succeeded in reducing the "basic" deficit on current and long-term capital account a little further in the second quarter, despite the temporary deterioration in the trade balance itself. Then, third and perhaps most important, last week's additional deflationary doses will almost certainly be sufficient to tip the economy off its upward course, and produce the kind of mild recession that saw the balance of payments back into balance in 1957-59 and 1961-63. The fact that, as Lord Robbins recalled in the House of Lords on Wednesday, unemployment is *now* still only 1½ per cent does not remove the prospect of that kind of setback. Unemployment was equally low at the same point in 1961 and 1957; but the restrictive measures then were still—domestically—mistimed.

One can therefore have distinct reservations about the long-run desirability—and eventual effectiveness—of the familiar save-sterling expedients. But it is a little late in the day for those kind of niceties. The relevant point for a medium-term view is that enough *has* almost certainly now been done in deflating the British economy to secure a sufficient swing in the underlying balance of payments. Now that the Government has made its payments choice, however involuntarily, one should not carry on too instinctively behaving as if it had not.

Figuring it out

RESERVES AND CREDITS: RECORD & ESTIMATE

	Recorded Reserve Loss	Credit Drawings	Total Drain
1964	£ million		
September	− 16	− 71	− 87
October	− 31	− 77	−108
November	− 39	−281	−320
December	− 10	−144	−154
1965			
January	− 6	− 98	−104
February	+ 23	+ 34	+ 57
March	− 12	− 84	− 96
April	+ 8	− 56	− 48
May	+181	−123	+ 58
June	− 24	(−25?)	(− 50?)
July	− 50	(−50?)	(−140*?)

* After allowing for German sterling deposit.

Credit drawings (−) and repayments (+) for September-May are as shown in Bank of England Quarterly Bulletins; June-July figures are our own very rough guesses.

Officially, Britain lost £50 million in gold and foreign exchange in July; Germany's deposit of £41 million in lieu of future arms purchases puts the drain on all other transactions to £91 million; the drawing on the United States swap credit adds a further unknown amount. Attempts to guess this from the past pattern baffle our most correlation-conscious statistician. As the table shows, the authorities have only one broad principle in their reserves arithmetic. They will not generally show a recorded gain when there has been a true loss—though even that rule was broken in April, when the second half of the month made the Chancellor feel cheerful.

The only other guideline is that an increased or reduced actual change is reflected in an increased or reduced recorded change *in relation to the figures of the previous month*—but that is all. Thus a recorded loss of £16 million in September related to a total drain of £87 million; while a recorded loss of only £10 million in December hid a true loss of £154 million. In January this year the ratio of recorded to real loss sank to its lowest yet, of less than 6 per cent—compared with October's 28 per cent. In June and July the degree in which credit has been used has almost certainly been far smaller, partly because only the American swap was then still active, and no longer the continental ones. The highest market guess—not that anyone has any confidence in his guesses—has been a drawing of £50 million for July; this would make a total loss of £140 million—massive by most past standards, and far higher than July "felt," but below last December and only two-fifths of November's nightmare.

Domestically, the Government has therefore done all that can reasonably be expected of it to remedy the basic payments deficit, at least for the next year or two. The difficulty is that the speculative pressure has now almost acquired a momentum of its own. In particular, attention is being focused on the tenuous state of Britain's reserves, which July's loss almost certainly reduced below the total of the three- to five-year debts to the International Monetary Fund plus the much shorter-term debt to the American Federal Reserve. Admittedly, the balance will soon be tipped by transfer of the famous and now more than half-liquefied dollar securities in the Government's portfolio. Since this is essentially and sensibly a public relations exercise, it had been assumed that these transfers would be added to the publicised total of the reserves. Yet the Chancellor implied on Tuesday that this will not be so ; that the Treasury will admit when a transfer has been made, but will conceal the amount, until publication of the quarterly payments figures much later. To extend the technique used now for drawings on central banking credits at a time when this itself brings more suspicion than reassurance would indeed be extraordinary ; this decision can surely still be reversed. The basic decision to bring these second-line reserves into the depleted cash till was almost certainly right, and the switch out of American equities, carried out over the past year or so, has been extraordinarily if accidentally well-timed. But the whole operation will be pointless if the Treasury succumbs to its usual instincts of keeping everything under covers.

It may be that the Chancellor's task here is more difficult than appears, because of the potential embarrassment to the American balance of payments. The switch out of long-term dollar stocks into American Treasury bills would itself increase the book figure of America's basic payments deficit ; but it would cause a real strain only if the dollars were then switched into gold, as they could be in accordance with Britain's normal reserve holding policy. If this is indeed a point at issue then there ought to be no difficulty in cutting a way through it. Britain could for example hold the dollars either on a gold-guaranteed basis or in return for further American assurances of credit support. Is this now being discussed ? All the signs are that something new is being cooked up between the British and American financial authorities. Certainly the strong demand-for-gold is exerting its own pressure on the dollar, which is again being officially supported in Zurich.

If the Labour Government has indeed decided to give priority to the exchange parity, and if it feels able and willing to stand by its tough domestic restraints, then there is everything to be said for mobilising—and revealing—the forces remaining available for sterling's defence. The published reserves are now £947 million—say £800-900 million deducting drawings on the swap credit. Addition of the $250 million that can be borrowed on longer-term from the Export-Import Bank and the $1,250 million of dollar securities brings the total to £1,300-1,400 million. This sum, now that the nine months' drain of £1,000 million has depleted most of the world's disposable sterling holdings, should surely be ample to push off further attacks. Too much should not be made of the piling up of short-term debts and the running down of reserves. The money will come flooding back when sterling eventually does return to favour, in whatever way. An outflow of gold purely through speculation does not involve the same enduring loss as an outflow to meet a basic deficit. Certainly the point has now been reached when the only justifiable way of meeting further exchange pressure is by the boldest use of the reserves. A new increase in Bank rate would be a justifiable aid. Further fiscal deflation, in our view, would not.

Viewed from Washington

PRESIDENT JOHNSON, explaining his Vietnam policy to a gathering of Congressional leaders on the evening of July 27th, added some remarks on other world problems of the present day, as he often does. One of the other worries he mentioned was the hazardous outlook for sterling—as was natural, since the pound had taken a severe beating in the previous week or so. Fortunately or unfortunately, not only were the President's remarks off the record and not for quotation, but any accounts of them later passed on to pressmen by members of his audience were also off the record and not to be quoted. To establish what Mr Johnson really said is, therefore, doubly difficult, but this cannot prevent versions from circulation. By one account, Mr Johnson's thumb-nail sketch of the British economic outlook, or the British monetary outlook, or both, was "hair-raising."

Official Washington is so tight-lipped just now about the sterling problem that these scraps of gossip have to do duty for news. Indeed, they are used and re-used, often without reference to their place in the chronology. *Newsweek* magazine reported this week, correctly, that both the President and Mr William McChesney Martin, chairman of the Federal Reserve System, had expressed their concern, but it did not mention that Mr Martin uttered his remarks, whatever they were, as long ago as July 20th. Mr Martin talked about the United States balance of payments position, the economic outlook and the world monetary outlook to a group of Republican senators at luncheon. From the remarks made afterwards by their leader, Senator Dirksen, it seems plain that Mr Martin admitted himself worried about Britain's "sagging" productivity [see the chart opposite!] and about the danger to sterling that this implied.

But Mr Martin spoke a week before the British Government announced its latest measures of restraint. President Johnson, though he talked to the Congressional leaders a few hours after Mr Callaghan announced the measures on July 27th, had devoted that day to the military build up in Vietnam ; and it appears that he spoke in ignorance of what Mr Callaghan had announced. On the face of it, it is hard luck that the British Government should be dogged by these remarks after it has taken steps to change the situation to which they referred. The official Administration view of the Callaghan measures, as announced by the American Treasury on the day they were taken, is that they give another clear indication of the determination of the British authorities to restore equilibrium in the balance of payments by the end of 1966. Such is the nervousness surrounding the subject that this is all that the Treasury, the White House, or the Federal Reserve will say.

Unfortunately, it is not the British Government's determination to put things right, but its ability to do so that is in question. The silence does not conceal the anxious expectation of a sterling crisis coming to a head in the autumn. If that crisis requires a further American effort to help Britain out, it seems unlikely that the help will be denied. But the extent of continental European willingness to join in such a renewed effort remains in doubt ; and this, if nothing else, restrains Washington from uttering anything that might sound like a commitment. What remains unknown is whether action is being planned in advance, or would have to be improvised on the telephone as it was last time.

Monopoly in Petrol

The tied garage system certainly cuts costs for oil companies. And dealers sound to have done pretty well out of it. But has the motorist?

ON the same day that one new price-cutter was publicising its intention to invade Britain's petrol market with pretty girls and another 3d. a gallon off, established oil suppliers here were having their first informal talks with the Government about the report that the Monopolies Commission published two weeks ago on petrol. The major companies selling petrol in Britain have been sure for many months now that the Monopolies Commission would not find the "solus" or "tied garage" system, in itself, to be against the public interest; and the commission hasn't. But that is about all they got right in advance. The general tone of its report* is more sourly critical of what the commission considers disadvantages of the system as it operates in Britain—and much more sceptical of the companies' conventional defence of it—than most people around the trade expected. The compulsory changes that the commission recommends in the kinds of exclusive agreement by which petrol dealers have been induced to tie themselves to one brand or group are quite significant—and would alter the terms of all existing agreements, not just the ones made from now on. The commission also proposes what would amount to a temporary ban on the buying or building of new stations by most major groups. Here it would be closing the stable door after having held it open deliberately for nearly five years; but the companies may not have expected to have it slammed shut even now.

Nobody doubts that the more stations there are able to take their petrol supplies in really large "drops"—up to the full load of a 4,000-gallon tanker—the cheaper it is for an oil company planning its logistics of delivery. The questions are whether the "solus" system is a necessary, or the best, way of bringing about these savings in distributive costs; and whether, assuming that they are obtained, the savings are in fact passed on under this system to the petrol consumer. Since some 37,000 petrol stations in Britain, out of 38,000-39,000 in all, are tied as to the brands they sell, these questions matter more than a little to British motorists.

Four of the leading petrol suppliers—including Shell-Mex and BP which is now selling about 45 per cent of the total, and thus constitutes a monopoly in this market according to the meaning of the Act—gave the commission estimates of the amount that they reckon is saved in distributive costs through the solus system. These estimates varied around a penny a gallon. The companies pay the dealers extra "solus rebates" of roughly the same order for selling their brands only; but they deny that these rebates should be counted as offsetting the saving, since they argue that if they did not promote dealer loyalty to their brands in this way they would have to spend quite as much in extra advertising to enlist the loyalty of the motorist, a less dependable animal who cannot be tied down as certainly. They say the same about loans at low interest, mortgages, and other inducements that they have employed to enlist their retailers.

The commission was not sure how much of the concentration of deliveries and larger average drop that have come about since the system began in about 1951 could be attributed to the solus arrangements. Total sales of petrol have after all more than doubled in the period, while the number of stations has not grown significantly; so you would expect some increase in the average gallonage per station. Total sales went up 2.2 times between 1951 and 1963; Shell-Mex and BP's average drop has gone up 2.4 times, and Esso's 2.6 times. Is this anything more than untied competition might have been expected to bring about for the largest and best-placed wholesalers, whose scatter of retailers ought surely to do a bit better than the average? Again, total retail turnover in petrol is now around £700 million a year (petrol companies' loans and mortgages outstanding amount to about £55 million); so

> it seems to us likely that this trade, with its obvious potential growth, would in the long run have attracted capital for development from other sources if the petrol companies had not been the first in the field.

So they do not feel that the savings actually due to the solus system in the past and in the future can "be ascertained with any degree of certainty."

Accepting that some net savings in the companies' own costs of distribution have been obtained as a result of the system, the commission then turns to the second question: have these been passed on to the consumer? Again, it is doubtful. There is no doubt at all that savings have been passed on to the retailer. Between 1953 and 1963 the solus retailer selling at recommended prices got an increase of about 40 per cent in his margin per gallon in these ten years; and this at a time when his turnover, on the average, was more than doubling. The dealer in fact got two to three times the amount of the cost saving. So obviously the consumer cannot have had the whole of it passed on.

However, the majority of the commission held that in principle the solus system

> has led to some reduction in suppliers' costs which has exerted a downward pressure on prices, has had some beneficial effects in producing improvements in petrol stations, does not restrict the motorists's choice of petrol, and does not, in practice, lead to an excessive number of petrol stations.

Its only member who is a professional economist, Professor Tibor Barna, dissents:

> Competition for outlets results partly in direct over-investment in outlets by the suppliers and partly in their offering increasing margins and other benefits to retailers. . . . exclusive selling arrangements are against the public interest mainly for the reason that they lead to wasteful expenditure, an inefficient system of distribution, high profits, and thus to a high price for petrol.

* *Petrol: A Report on the Supply of Petrol to Retailers in the United Kingdom.* The Monopolies Commission. HMSO, 13s.

He cites figures showing that at mid-1964 the normal retail price of petrol net of tax was 10 per cent higher than in Italy, 18 per cent higher than in France and 21 per cent higher than in Switzerland. Certainly Britain appears to have among the highest retail margins for petrol in Europe. But one cannot, in fairness, attribute these comparisons simply to the solus system either; the system exists in most of these countries too.

The commission adds the question, and it is the basis of Professor Barna's main recommendation, that surely if larger drops offer the savings in delivery costs that are needed, then why not give retailers a direct incentive to take them: quantity rebates? Professor Barna has been told that it may cost 5½d. a gallon to deliver petrol in 200 gallon drops, but 2d. a gallon or less to deliver 4,000 gallons at a time. Yet the solus system gives the retailer an incentive simply to go on buying however much petrol he does take at one time from the same company; his rebate is no more if he takes a whole tankerful. If they were simply concerned with savings in distributive costs, would the companies achieve these best with the loyalty rebate alone? Quantity rebates, too, would probably lead to single-brand stations, since they would make it well worth while to fill up the whole station. But they would also give greater incentive to increase station gallonage, if necessary by price-cutting.

SUMMING up, the commission thinks "it perfectly possible to have a system

> of solus trading in petrol which does not operate against the public interest. . . . [But] . . . we have left out of account a number of features of the system as now practised in this country. These are features which are capable of being altered or eliminated without destroying the basis of solus trading.

And some of these the commission proposes should be altered.

It suggests that the term of the exclusive dealing contracts should be limited to five years; where these contracts are linked to long-term loans to the dealer, it wants the dealer guaranteed the right to repay the loan and end the ties at any time after five years from the date of the loan; and it wants similar repayment rights applied to any loan agreements for the supply of pumps and other equipment. On the vexed question of whether exclusive agreements should be allowed to extend to lubricants, tyres, batteries, etc, it thinks that suppliers should be able to make agreements with dealers to have them sell the supplier's lubricants, but not agreements in any way to restrict their sales of other suppliers' oil ("Hurrah" from Castrol); and that no "TBA" agreements covering non-petroleum items should be allowed. Professor Barna thinks the whole solus system operates against the public interest, and that no such exclusive dealing should be allowed. But if the solus system is to be "accepted when reformed," he would not bother to limit the length of agreements to five years, since this might only raise the price suppliers pay to tie a station, at least per gallon sold.

Company-owned petrol stations (usually tenant-operated like pubs) now account for about a seventh of all those in the country, selling about a quarter of all the petrol. If the growth in their numbers goes on, the commission thinks this would lead to an undesirable degree of rigidity in the retail trade, and give the suppliers too much control. So it suggests that groups whose deliveries of petrol in any year to stations they own, or have a leasehold interest in, exceed 15 per cent of their own deliveries should not build or acquire any further stations while such excess continues (unless their total sales are less than 10 million gallons).

Professor Barna, again, would go farther. He estimates that by now the proportion of petrol sold through these stations may be 27-28 per cent, and as stations already being built are completed will rise to 30 per cent. He points out that when petrol retailing was referred to the commission (in 1960!) only about 15 per cent of the total sales passed through the companies' stations. Since then, the companies have stepped up their buying. "If the companies are allowed to keep all stations which they have acquired, this may create a precedent for monopolists to strengthen their position while the commission is deliberating their case." He therefore wants the companies to be obliged to divest themselves of enough stations to get down to the commission's 15 per cent limit. The companies certainly knew the risks here—but they could not know whether or where the commission would set a limit. It is difficult to see how over this period any of them could have refrained from a race which competing newcomers, in particular, were bound to take to penetrate the market at all. The main blame, surely, must rest on the commission, which took five years over an inquiry that needed two at the most.

On quantity rebates, Professor Barna has a compelling case in sheer logic, and some people inside the companies would privately at least admit it. They do offer the dealer some specific incentives to take bigger drops: loans to instal tanks, an "initial fill" on credit that is effectively free as long as the exclusive contract lasts, and relatively long credit. But they admit that the whole price structure of petrol derives originally from wartime controls; and much of it, like the very "price zones" themselves, no longer bears much logical relation to anything. It would be a good thing if this report, and its note of dissent, were to trigger off a really radical reappraisal of the structure of wholesale petrol pricing in Britain.

THE motorist, at the end of the day, may still feel he has the price-cutters to thank for cheapening his petrol recently; he has. But price-cutting, he should note, was the result of initiative from suppliers, not dealers. There has been plenty of competition between suppliers for dealers' custom, and it has been heavily financial bidding, even though not directly through the wholesale price. Add to this non-price competition a system of town planning that creates valuable local monopoly positions for well-placed stations and any sites with planning permission, and the dealer has found it more comfortable to get a fat margin plus sizeable financial help on the side without bothering to compete directly. Formally, the monopoly may be among the suppliers; but it has been the lack of competition among dealers that has probably operated against the public interest. To the extent that the major suppliers wanted to get cost savings and actually pass them on, as Professor Barna says, quantity rebates might have suited them better than the solus system. The system, it is no secret, also suited them as a protective shield against invading newcomers. But it is possible that quantity rebates might have held those defences just about as well as they have been held, too. And by giving motorists benefits they could count in the pocket; not simply by making dealers fat.

BUSINESS □ BRITAIN

AIRPORTS

In Defence of LAP

SOMEONE must speak out in defence of London airport, target of a crescendo of snide attacks throughout the summer. Taken all round, Heathrow is probably the best big airport in the world. It has had no fatal accident for ten years, and that was an RAF bomber that crashed because of a muddle about altimetres. This is more than New York or Chicago could claim—or Orly, the pride of Paris. Its technical equipment is acknowledged to be superb, and kept continually up to date. Most air passengers might assume in their innocence that this goes without saying at an international airport. It does not. The International Federation of Air Line Pilots Associations has recently issued a statement saying that at Cairo (where a Pakistan jet recently crashed when landing)

> "an actual regression in safety standards is taking place . . . a recommendation has just been issued to all our members recommending the immediate discontinuance of the use of the present principal runway at night."

The official landing routine laid down at Cairo is described as "dangerous in all but good weather daylight operations," the approach lights as short, the runway lights as faint and "there exist dangerous undulations on the surface of the runway." There are plenty of other airports round the world where technical aids do not stand close inspection.

For the technical standards observed at Heathrow, the airlines have to pay some of the highest landing charges in the world, and the airport should make a profit of at least £3.7 million this year. Ought not taxpayers to be at least a little grateful for this? One hears enough about nationalised industries running at a loss to give credit where it is due. In return, another £25 million is being spent during the next four years on passenger and freight buildings, in addition to the £30 million already invested and are not affected by last week's government spending cuts. And this is the nub of most of the complaint, that on the "8 horses, 40 men" system, aircraft at Heathrow get all the pampering and passengers are handled like so much beef on the hoof.

IT has suited the airlines to let the airport authorities take the blame for irritations and inefficiencies that have nothing whatsoever to do with the airport and are wholly the result of how the airlines run their business. Thus the British Overseas Airways Corporation in its annual report last week:

> "extensive alterations are having to be made to the passenger check-in and baggage handling area in the Oceanic Building at London Airport . . . despite the measures being taken to alleviate congestion, the difficulties under which passengers will be handled during the next two years are considerable and London Airport will continue to compare unfavourably with most major European or American air terminals."

And pray why? Because BOAC insisted against advice on baggage and other arrangements that are proving exceptionally difficult to unscramble. Who, reading this, would think the fault was BOAC's rather than those damn fools who run the airport?

Passengers chafe at the wait for their baggage, but the airlines handle baggage, not the airport, and the shorter the distance between aircraft and terminal building, the longer the wait seems. There are airports, Montreal is one, where passengers hoof it through interminable tunnels of such length that their luggage arrives before they do and is waiting for them. Is this efficiency? Ask your feet. The international maximum trudge is 1,000 ft, a fifth of a mile. At LAP, the maximum planned is 800 ft, the present average much shorter. The jolliest airports are ones like Geneva, eight minutes in a taxi and the aircraft will wait if you shout, or the superior shed at Newcastle with its iron boiler; through these passengers pass with the maximum of efficiency, the minimum of foot-slogging. But these do not have to handle, as Heathrow does, about 200,000 aircraft and 9 million passengers a year.

The extra £25 million of building work is designed merely for the expected increase in air freight, air passengers—and their cars. And here one comes up against the basic difference between a European and an American airport. Chicago already handles nearly half a million, and New York's Kennedy, 370,000 take-offs and landings a year, by their standards, Heathrow is underemployed; the passengers that pour out of these are dispersed in airline-owned terminal buildings scattered across a huge acreage. Thus Pan American passengers do not get muddled with TWA's or Delta's or Lufthansa's. But outside the United States, national airports have to provide common user facilities for all airlines which forces them to concentrate more people into smaller space.

Nor are the airlines particularly co-operative; passengers could walk straight out onto a good many aircraft at Heathrow, instead of hanging around in the building, if the airlines would allow them to. And a miraculous speed-up in the handling of domestic passengers has followed a little,

THE BRITISH ECONOMY

GOLD RESERVES
True loss something over £100 million. Still well below last autumn's but very bad all the same.

EMPLOYMENT
No significant change in May.

	Month	Index 1958=100	Percentage change from: Previous month	Three months ago	Twelve months ago
Industrial					
production *	May	132	+½	nil	+3½
employment*	May	104·1	+0·1	—0·2	+0·5
productivity*	May	126·8	+½	nil	+3
Export trade*	June	123	—2	—4½	+2
Retail trade*	May	122	nil	—1	+3
Unemployment*	July	79·2	+3·4	+7·4	—10·8
Wage rates (weekly)	May	127·8	+0·3	+0·9	+3·7
Retail prices	June	121·5	+0·3	+2·5	+4·9
Export prices	June	109	nil	nil	+2

** Seasonally adjusted. Indicators of export and retail trade reflect movements in volume terms, i.e., in value at constant prices. Unemployment indicators refer to numbers wholly employed, excluding school-leavers. Total unemployment level in July running at an annual rate of 1.4 per cent.*

very little, competition on the domestic routes without any structural changes inside the airport.

Most of the things that are wrong at Heathrow—apart from the catering which inside the departure lounges hits an all-time British low (unless, that is, you like to breakfast at 7 a.m. off hard liquor and fruit cake)—arise out of divided responsibility betwen airport and airlines. These disputes have held up for years the introduction of covered walks into the aircraft, look outside the long-haul building and you will see the square windows provided for them in the architect's original plan. They are going in now, at a cost of about £½ million; to give Heathrow credit that it hardly deserves for this, they will be the first outside the US and inevitably more complicated than the American because of the range of aircraft they will have to fit. In a country where it rains so hard, need this small mercy have taken so long?

SYNTHETIC RUBBER

Strengthening the Walls

THE decision by five British producers of synthetic rubber to form a trade association can be read at two levels. After the ritual felicitations one is left with a residual curiosity why they should have felt an association necessary. Not, for a start, because the industry has come of age; the companies that compose the British Association of Synthetic Rubber Manufacturers, which include International Synthetic Rubber and Imperial Chemical Industries, can look after themselves at any age. But they need a collective front if they are to present the industry's case to the Government in times of trouble and this could be the main value of the new body. Few industries can have had more cases to present in recent years.

Not much of the over production, dumping and price-cutting that caused such despair in the chemical industry four years ago now remains; the surge in demand that, predictably enough, followed the recession mopped up the slack—even overbalancing into occasional shortages, as the report on imports by the industry's little Neddy recently showed. But in a few areas the malaise lingered; synthetic rubber was one of them. While other markets recovered, pressure on most European markets from American and Canadian exports have forced down prices by some 20 per cent in the last three years. This pressure eased at the beginning of this year as the American dock strike cut into supplies available and demand in Europe grew; total consumption of synthetic rubber on continental Europe last year was 608,000 tons, a fifth more than the year before. As a result, prices of SBR—the standard synthetic used in tyres—have hardened; the price increase, about 5 per cent, having been led on the Continent by one of the keenest exports, Polymer Corporation of Canada. (Canada exported two-thirds of its 197,000 tons production last year.)

These influences are felt in Britain, even though the main producer, ISR, being owned by its own largest customers, is to a degree cushioned against them. Imports account for more than a third of British consumption, 161,000 tons last year, much of it supplying grades of rubber not made in the country—for instance butyl, used in inner tubes, which Esso has just started making. The SBR supply situation is said to be in balance, which meant last year exporting more than a quarter of production. Plants are being built to fill the gap (a fortnight ago ICI announced that it was doubling the capacity of its latex plant; ISR is taking SBR production up to 125,000 tons a year) and replace imports. The question facing the producers must be, how long can the present precarious balance be maintained?

America has such a vast industry, accounting for more than a half of world capacity and last year only 80 per cent employed, that it can swamp world markets almost without thinking; Canada's own, somewhat incongruously perched on a relatively small market, can also shake prices; Japan is emerging as a major (and, the industry says, disruptive) exporter—as it has become in synthetic fibres. Meanwhile, European productive capacity is growing to supply home demand; present plans point to an increase of a third by the end of 1967. None of which would matter if consumption continues to grow as it did last year. It could, as there is ample room to grow at the expense of natural rubber even if the total rubber market remains static. But it would be prudent to prepare one's defences against a more pessimistic estimate, which could throw the industry (as some of the large rubber users think is going to happen) into another period of price decline. It is fair to guess that this is the level at which the new association of British producers is most likely to work: mainly against dumped imports; perhaps in conjunction with continental groups.

BANKING LINKS

Lloyds Out in Front?

Two significant innovations in London's banking structure are foreshadowed this week. . . .

THE projected "association" between National and Grindlays and Wm. Brandt's will be a tie-up between a traditional breed of merchant bank and a specimen of the equally old-established breed of London-based overseas deposit bank operating in the one-time British colonies. The reasons for the mutual attraction are fairly clear on both sides.

Merchant bankers in recent years have been developing their "industrial" business—new issue business, the provision of finance for industry, together with an accompanying financial advisory service. Some have been quicker than others. Brandt's missed out in the round of matchmaking in the late nineteen fifties. And it missed the boom in merchant banking shares in the early nineteen sixties, when many other houses became public quoted companies. Nobody would rush to buy merchant banking shares now, and this source of new capital is therefore closed to it. Yet National and Grindlays could provide what Brandt's needs most—connections and capital.

For N and G, the main problem is that its traditional business has run out of growth. In Burma, its business has been nationalised with no compensation so far. In Ceylon, although the political prospect is now brighter, there have been restrictions on its taking new deposits. In India and Pakistan growth has been impeded by credit controls, including regulations controlling holdings of government securities. Beyond that the economies of the banks' countries of operation (which are in East and Central Africa as well as Asia) are affected by the depression in prices of tropical commodities and there is the looming problem of the British corporation tax. Expansion into merchant banking is natural. Brandt's like most merchant banks in London, has connections with the Continent and United States, the very areas where economic growth is most pronounced and where a British overseas bank is weakest.

The size of N and G's stake in Brandt's is not yet known. The market guess is 50 per cent. A new landmark in British banking will thereby be passed. A clearing bank will have taken an interest, however indirectly, in a member of the Accepting Houses Committee. Lloyds has 25 per cent of N and G's shares (from 1961, when it sold its Eastern branches to National and Grindlays). All three banks are determined to behave, in the best City tradition, as though these cross holdings did not exist. But the eventual possibility of a tightening of the links cannot have escaped the attention of Lloyds' fellow clearers—especially as Lloyds, through its holding in National Commercial Bank of Scotland, is already indirectly associated with a joint Scottish venture of Schroder's. The other big banks would no doubt also like their own pet merchant banks—on suitably long leads, of course. But immediately, further links between overseas banks and merchant banks would seem more likely.

As the Goldsmiths Did

LONDON'S gold market has had another active week, with persistent buying, especially from the Continent, pushing the price up further to $35.19¼ an ounce. Thurs-

day's fixing a shade higher than in the Cuba crisis of 1962. The market has also seen a rare institutional change. Johnson, Matthey's decision to transfer all its bullion dealing to a new wholly owned subsidiary in the autumn, Johnson, Matthey (Bankers) Ltd., will leave Sharps, Pixley and Co., the brokers, as the only non-bank member of the five-strong London gold market; Mocatta and Goldsmid is wholly owned by Hambros. Johnson, Matthey itself, like Rothschilds, which is chairman of the market, is a gold refiner and assayer, but it also handles silver and platinum and makes ceramic transfers and pigments for plastics and paints. It makes good sense for this industrial company to hive off its dealing from its manufacturing business, since in the former it is largely acting as an agent for its customers; and a banking subsidiary is an ideal vehicle for handling the dealing side. Customers will be able to open accounts and the finance required in gold dealing will come from these and other deposits. The cash flow within the industrial side of Johnson, Matthey will thus become completely insulated and group financing will become much simpler.

But the intention is not just to hive off business. Johnson, Matthey (Banking) is a genuine bank, and the intention is to let it develop as a merchant bank in its own right. The fact that the Board of Trade has allowed "Banking" in the name is quite an accolade. The chairman of the company is to be Mr L. C. Montague, vice-chairman of Johnson, Matthey and not to be confused with the Montagu's of the merchant Bank; Mr. C. W. Parsons, its finance officer and cashier will also join the board as manager and two directors will come from one of the clearing banks. The bank's main business for some time to come will be its parent's traditional business of bullion dealing. But growth by merger cannot be ruled out; many merchant banks look financially too small to cope with the vast potential business and more mergers must be expected.

DRUGS

Split in the Ranks

LAST Thursday afternoon, Imperial Chemical Industries resigned from the Association of British Pharmaceutical Industries and this precipitated the resignation of the Association's current president, Mr Sam Howard, a director of ICI. The association, which has already been without a director since March, met on Tuesday and persuaded the vice-chairman of Beechams, Mr C. D. Stafford, to take over this presidential hot seat. It happens that Mr Stafford holds precisely the same views as Mr Howard on the subject that precipitated Mr Howard's and ICI's resignation from what is, after all, one of the more influential and responsible of trade associations. The issue has been splitting the drug industry first privately, and now openly, for years; if the truth were known, it had a good deal to do with the association's director's departure earlier this year. It is the acutely touchy matter of selling tactics. Three years ago, the Committee of Public Accounts queried why an industry that sells mainly to the National Health Service should need to allocate nearly 10 per cent of total costs to selling and advertising. Two years ago, marketing costs for the first time began to outstrip the sums spent on research, and the gap is almost certain to have widened in 1964. The government has appointed a committee under Lord Sainsbury to look into drugs and their prices. And this is the time that the industry chooses to launch a prestige advertising campaign involving, on plans submitted to ABPI, £100,000 over twelve months.

In some ways, it makes sense for an industry attracting uncomfortably sharp criticism to try and improve its public standing, and several British as well as American drug companies pressed hard for it. But it struck an even larger number of companies as peculiarly tactless to embark on a campaign of this kind when the industry's costs are under inquiry. The split was between the supporters of the hard and the soft sell; more basically between those who are prepared to play ball with the Ministry of Health on the matter of prices and those who treat the negotiations as part of a running fight. ICI has never been overimpressed by the way that some drug com-

MOTOR RACING

The Grand Slam

The postwar era when British racing cars were a music-hall joke seemed far away this week. By winning the sixth of the ten Grand Prix races counting for the title at Nürburgring, Jim Clark and Lotus designer Colin Chapman have guaranteed themselves a special niche in motor racing; the same partnership—using an American Ford engine—also became the first Europeans in modern motor racing history to win the Indianapolis 500-mile race in May. So it is ironic that the rules for next year's championship are being changed in a way that leaves Lotus without an engine. Motor racing design is an improvised, hand-to-mouth sort of affair; Lotus roared to success on a modified Coventry-Climax fire pump motor, and Coventry-Climax, now owned by Jaguar, is not going to produce from scratch a completely new engine to fit the new motor racing formula. The present engine of 1½ litres unsupercharged was brought in to meet complaints after more than 100 spectators were killed at Le Mans

Jim Clark

ten years ago, it is now being raised to 3 litres unsupercharged or 1½ litres supercharged. Even so, the typical Grand Prix car may still trail behind the sports cars now crowding 5 to 7 litres. And the new formula engines are going to have to use normal commercial petrol, not alcohol mixtures, with all the attendant complications for supercharging that are said to be curable by water injection into the cylinder itself as Rolls-Royce did with its Merlin aero-engines, but this will take some proving.

Other racing companies are developing their own engines; BRM, Ferrari and Honda have already started, Cooper and Maserati may follow, possibly together. But who can Lotus get to develop an engine, unless it can come to some arrangement with BRM, or conceivably Ford comes to its rescue? No-one seems to have any clue what developing a Grand Prix formula engine from scratch might cost because they have up till now been able to develop something already on the market, but it is not likely to be any less than £100,000 and it is impossible to guess how much more. The sponsors—Esso is a major backer of Lotus—find motor races provide them with useful ageing tests, of engine oil, tyre and brake wear at stress, but they are really in it for the publicity as the technological fall-out is not enormous. The transistorised ignition systems and the fuel injection developed for racing cars do eventually turn up on family saloons, but some of the ordinary cars' biggest improvements have been borrowed from aircraft (disc brakes) or developed from sheer necessity like improved alternators to meet the electricity demands from jumbo-sized American cars stuck in jumbo-sized American jams.

panies ran their business ; when Mr Howard accepted the presidency of the ABPI, this was welcomed as a sign of more active interest from the group, so that its precipitate withdrawal is therefore quite a blow. What is certain is that it has killed dead the prestige campaign; Beechams has said publicly that it disapproves of the plan as much as ICI did, Mr Stafford's appointment as president automatically means it will be dropped. Normally, one would dismiss the affair as an unimportant boardroom tiff, but for the stresses it reveals inside the drug industry, including the strong feeling of some companies that others are—to be blunt—taking the Ministry of Health for the sort of ride that will bring retribution not only on themselves, but on the less greedy sections of the industry, who feel they have not deserved it.

LOCAL AUTHORITY BORROWING

Rationed Out

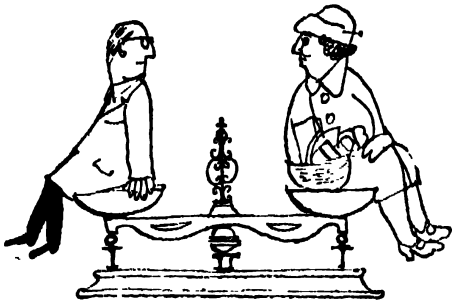
THE Public Works Loans Board has now circularised local authorities with details of the phasing that will apply to their borrowings from the Board from now on. Those that have drawn more than half their 1965-66 quota will have the balance split up into three equal instalments, the first being available in October and November, the second in December and January and the last in February and March. Those who have taken less than half their quota will have the balance split into four instalments, with the first available straightaway. So far, local authorities as a whole have taken three-fifths of their budget estimate of £360 million.

But the wording of the circular is significant. In deciding the quota for a given local authority, the PWLB examines the authority's estimate of its total long-term borrowings for the financial year. These borrowings are determined partly by the authority's estimated capital spending for the year (of which roughly four-fifths is on average financed by borrowing) and partly by the amount of funding (conversion of short-term debt into long-term debt) the authority expects to carry out, if any. An authority must now apply separately for each quota instalment, giving "an estimate of longer-term borrowings that has been revised in the light of circumstances obtaining at the time." In other words pressure on local authorities to reduce their capital spending will be applied not only by exhortation and, where possible, by refusal of loan sanction ; but also, as the Chancellor hinted last week, through the PWLB too.

CONSUMERS

Waiting for Weights

JUST for the record, something has gone wrong with Weights and Measures again. Remember, this was the Act that was re-drafted three times, now runs to 119 pages, reached the Statute Book two full years ago and should have come into effect last weekend ? It was much improved during its course through Parliament by listing more goods to be sold by net rather than gross weight; manufacturers and retailers were given a two-year breathing space to prepare for the day when nearly everything pre-packed would have to be marked with its weight, its number, its length, or some suitable measurement. But a good many suppliers held back until five minutes to midnight, and retailers were getting delivery of unmarked goods up to late last week. On Wednesday, Mr George Darling had to tell the House of Commons



that unless a special exemption order was quickly approved " large numbers of shopkeepers will be in serious difficulties next week," liable to prosecution for having unmarked goods on their shelves. And because again of the way the Act works, they have to be given a year's breathing space to clear the unmarked stock. But from last week-end, everything coming out of the factories has to be marked, some of them, like cosmetics, paint and detergents, for the first time ever. And the whole sweet industry, geared to sell the 6d bar, has to readjust itself to the awkward fact that only " single articles weighing less than 3 ounces " remain exempt from the weight-enacting rule. Sales resistance to the 7d bar has been so great, and the custom of varying weights to allow for varying ingredient prices so much an integral part of sweet manufacture, that it will be interesting to see what they do.

PROPERTY

Offices Under Control

ANY day now the Control of Offices Bill will receive the Royal Assent. Officials at the Board of Trade will then have to take from their pigeonhole some 400 applications for office development in London that have accumulated so far. After last week's measures the signs are that these will be dealt with more severely than had been assumed.

Previous indications were that projects might be allowed through one of three gateways: if the offices replaced another old office block of equal or lesser accommodation ; secondly, if the offices comprised part of a company expansion scheme and that it was necessary to have the offices adjacent to the factory ; and finally if the project permitted useful road improvements or other changes of layout.

But in November the government's intention was to produce a better distribution of offices throughout the country. It is now equally keen to reduce the pressure on the construction industry as such. Accordingly, developers might find even the expected gateways barred for the time being, although they may be opened later. Meanwhile it makes little sense to let developments stay on the list because they help with road improvements, if the road plans in question are themselves temporarily shelved. Above all, in its present deflationist mood, will the government allow any significant office building to take place when there is an estimated 30 million square feet of office accommodation vacant or in the pipeline in the Greater London area? This is equivalent to 80 Vickers' buildings, and would accommodate some 200,000 office workers.

Since the Bill is not yet law, it cannot yet be extended to the Midlands by Order in Council. So developers in Birmingham still have a chance to get their building contracts signed up and the projects into the pipeline before it is sealed off. But there has been no rush. Nor has there been any movement in the level of office rents in Birmingham since the Chancellor's speech last week. With 13s. 6d. to 15s. per square foot being asked in new developments (compared with around 55s. in Central London) these rents already give little profit for the developer. The market is anyway glutted with some 300,000 square feet of offices already on the market which are proving difficult to let, except occasionally in small suites ; and more is on the way. Indeed some agents regard Birmingham as one of the most overprovided cities, for offices, in the country.

MANAGEMENT

Rheum at the Top

WHAT happens to a man who misses his footing on the way to the boardroom and falls to the bottom of the ladder? A doctor and a management consultant,

MOTOR BUSINESS

The current issue of Motor Business, the quarterly research bulletin for the automotive and allied industries, contains the following main articles:

THE IMPLICATIONS OF THE GEDDES COMMITTEE'S REPORT ON THE FUTURE OF THE ROAD HAULAGE INDUSTRY

THE INTERNATIONAL OPERATIONS OF THE AMERICAN MOTOR VEHICLE COMPANIES

THE CAR DELIVERY INDUSTRY IN GREAT BRITAIN

Details and subscription rates:

THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St. James's Place London SW1
HYDe Park 6711 ext 27
60 East 42nd Street New York NY 10017
Murray Hill 7-6850

writing in the directors' own magazine this week, consider that this is a problem growing and hardly recognised. At a wild guess they estimate 2,000 directors a year topple off in this way and that, small as the number is (although it must seem large

in Belgrave Square), it yields a rich crop of misery. Two basic causes of the downfall are seen: one the result of economic forces and the other a sudden and unexpected individual deterioration. In the first, the process of improving efficiency—for instance through technological change, by cutting out the rank growths that flourish in bureaucratic organisations (as happened lately in Shell) or through concentration into larger units—leaves behind it men who are simply not wanted. In the second, the authors suggest some species of male menopause that causes a man suddenly to "go off" in the early fifties. Of course this is a gross simplification. There are other reasons, and the two selected obviously must interact: a man could reach a demanding position of authority when he has become physically unable to cope with it. But since change and decay occur uniformly throughout society, the human detritus must vastly outnumber the directorial 2,000.

Some companies recognise the problem already and allow for it: John Lewis has "sideways promotion" into less arduous jobs; Marks and Spencer has a normal retirement age of 60, and a policy of moving managers away from the front line of competition as they approach this age. This is rare, and not always possible (running a store is a clear-cut job, how taxing depends on the size of the store). For the rest there is nothing for it but to pick themselves up and start again. What is a director, after all? A man can put "company director" on his passport (and, judging from the *News of the World*, many do) with as much justification when he bosses a tobacconist's shop as when he bosses Shell.

SHORTER NOTE

The Atomic Energy Authority's plan for a prototype nuclear ship costing £15 million over five years got the thumbs down from the government last week at approximately the same time as the Japanese nuclear ship project was killed. Reasons are the same in both cases, no prospect of the ship being even remotely economic or offering any grounds for believing that subsequent ones might become economic. This leaves only Germany with a nuclear ship launched last year but still some margin of uncertainty about its reactor. Britain has been studying nuclear ships on and off now for ten years; further work is likely to wait on progress with a new reactor now under development which offers some prospect of scaling down in size economically.

BUSINESS □ INTERNATIONAL

FRENCH PLAN

Aiming Too High

France, too, is being criticised internationally in its economic policy: for its reluctance to reflate. Maybe we should swap finance ministers?

Paris

In spite of the stagnation at present bogging down its economy, France is still pitching its growth rate target at 5 per cent in the five-year plan for 1966-70. The Organisation for Economic Co-operation and Development frankly doubts that a rate of even 4 per cent will be achieved in the first year, 1966. It sees little prospect of the "spontaneous recovery" in the autumn, on which the government is counting, unless France goes in for a full-blooded reflationary programme. This the authorities have so far refused to do. M. Giscard d'Estaing has staked his reputation on the stabilisation programme and is not of a mind to jeopardise its fruits—which even the OECD praises. The need to stimulate flagging private investment is recognised. But the government has not been willing to go beyond making finance easier. The tax cuts and larger social benefits to stimulate the revival of consumer demand, considered essential by the OECD experts, invoke horror in the rue de Rivoli. The authorities have been willing to modify the stabilisation programme, not to throw it out. At least, not yet.

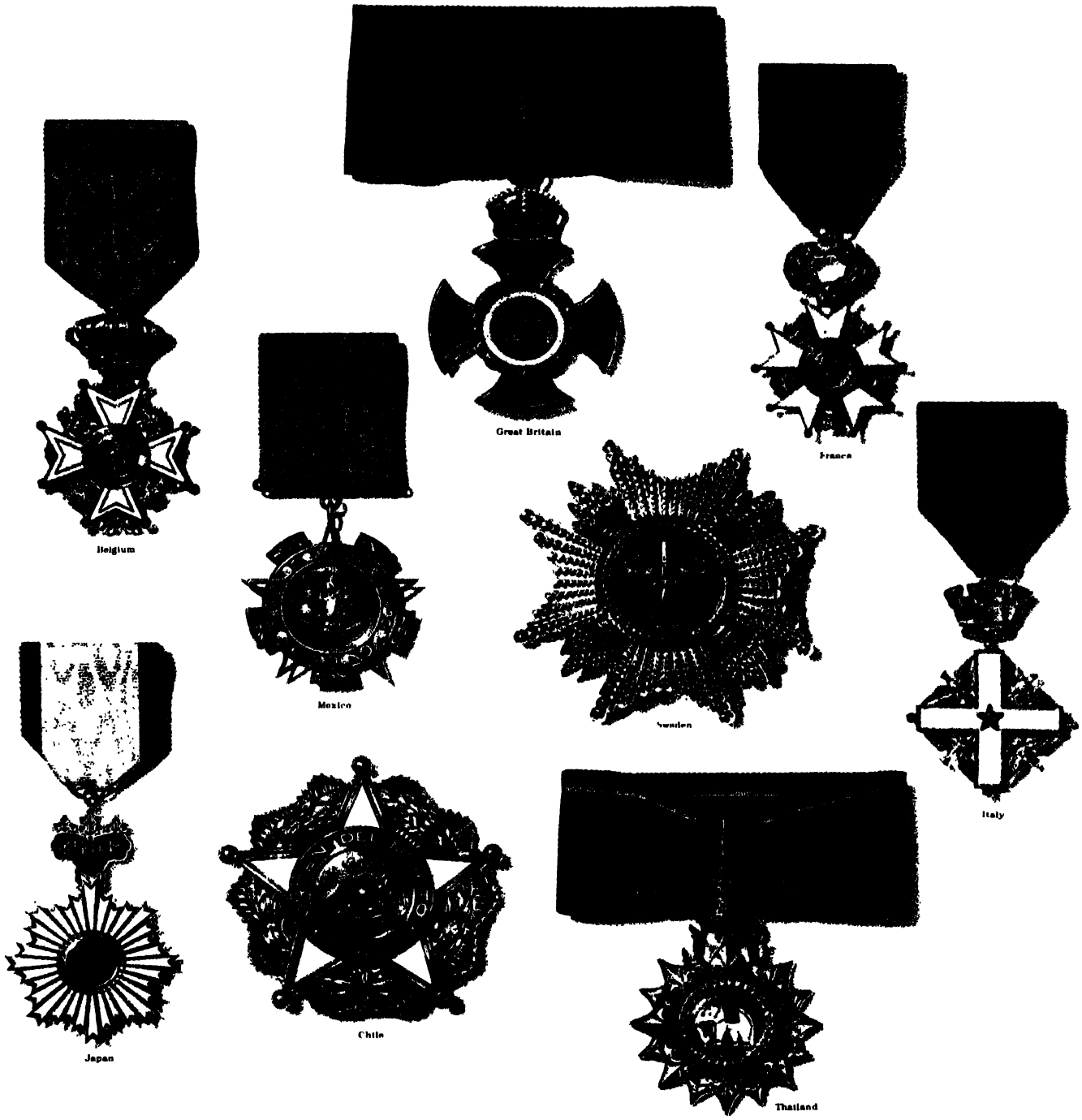
Yet, without a more courageous policy of restimulating the economy, it is difficult to see the new five-year plan getting off the ground. Above all, the success of the plan depends on the early revival of investment. Industrial investment is intended to increase by more than 55 per cent, and house building by more than 35 per cent over the five years as a whole. This would squeeze the share of consumers in the national cake down from its present 66 per cent to a precise 64.4 per cent by 1970. According to plan, rapid growth will be combined with stability.

The other conditions for success are also tough. Professional training will have to be substantially increased and French workers fitted for new industrial skills. A big effort in technical innovation will be needed. The objective is to strengthen French industry's ability to compete, above all to compete against its partners in the common market.

Anxiety over the future trend of French trade underlies the planners' preoccupation with investment, innovation and retraining. France, it is felt, will not really begin fully to feel the effects of international competition until 1966. In 1958, entrance into the common market and the first lowering of customs barriers was accompanied by a 15 per cent devaluation which gave French industry protection more or less equivalent to that of the customs duties which were scheduled to be progressively abolished. Now, for at least three years, the country has been dropping behind, notably in investment. The plan represents the effort that France feels it must make, on pain of having to give up the policy inaugurated in 1957 with the signature of the Treaty of Rome. But can the plan be fulfilled?

There are some favourable factors. The increasing concentration and regrouping of French companies in recent years should now begin to lead to a rationalisation of industry and considerably improved efficiency. France has also been increasing its technical research. Moreover, the reform of the country's financial structure begun by M. Giscard d'Estaing should provide a powerful push. The measures already taken include tax reform. Measures to allow short-term bank deposits to be mobilised for the long-term financing of investment are being studied. But all this will take time to produce results.

More immediate steps are needed to push up investment. One problem is the squeeze on profit margins; the proportion of investment covered by self-financing in the private sector was barely 50 per cent in 1964 against



For distinguished service and the highest professional standards, the Irving Trust Company is recognized internationally by the world of banking and finance as "the bank for bankers and businessmen."

IRVING TRUST COMPANY

ONE WALL STREET, NEW YORK

GEORGE A. MURPHY, *Chairman of the Board* WILLIAM E. PETERSEN, *President*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Why I chose this Mercedes-Benz

I had the choice of 15 models, from the marvellous 190 D to the cream of the world's elite among cars I chose this particular model because it suits me. It is as fast, as safe, as comfortable and as modern as I want my car to be You may perhaps prefer another Mercedes-Benz They differ in many respects. But in one respect they are all equal in quality.

For your information: Mercedes-Benz cars are designed from the inside outwards. That means ample passenger space with sensible outside dimensions, and the maximum of comfort for 5–6 people. Come and see us. We'd love to talk about it with you.
And do take a trial run.

MERCEDES-

590 PA 8

over 80 per cent five years ago. Government measures to make outside financing easier—including the passing on to companies of the proceeds of a Frs. 1,000 million (£72 million) public loan to be floated in the autumn—should at least help. But, as the OECD points out, this carrot may not be enough to tempt businessmen faced with spare capacity. Nor is this the only area where there are question marks over the plan. It remains to be seen whether French companies will be capable of making the export effort asked of them—English companies are not the only ones with sloppy commercial habits. Here the common market crisis is not immaterial. Without the precise, timed obligations of the Treaty of Rome, the government's chances of imposing a liberal dose of foreign competition upon French companies that drag their feet would be slim indeed.

CHINA'S GOLD PURCHASES

Any More?

By far the most bizarre source of pressure on sterling over recent weeks has been China's substantial switching into gold in the London market. The amounts involved were equivalent to between $80 and $100 million (around £30 million). In itself the Chinese decision to run down its holdings of pounds to the minimum should not have come as a surprise—Chinese bankers have not been the only ones to run for cover since November. And, politically, the timing could not have been better. What was surprising were hints last week that purchases of gold on the recent scale might be repeated. While no one outside Peking or Threadneedle Street really knows exactly how large China's sterling reserves are, the best guesses in London are that the country may have already converted the bulk of its modest total. Whatever China's other mistakes on its own peculiar leap-creep road to industrialisation, the hoarding of precious foreign exchange has not been one of them.

The calls on China's foreign earnings in recent years have been enormous. On top of the inevitable strains of any development drive came the disruptions associated with the break with Russia, the disastrous flop of the Great Leap Forward, and a series of bad harvests. China has not only been trying to import modern plants and technology. It has also been importing grain, $300 million worth a year since 1960-61. And paying off burdensome debts to Russia. All this has been managed one way or another. China has indeed been scrupulous in paying promptly all bills. But in the process any fat must have been eliminated from its reserves.

Despite efforts to balance trade bilaterally, China has on average run a deficit of some $100 million a year in its trade with the West. Normally this shortfall could be covered out of credits and remittances from overseas Chinese. Occasionally perhaps sur-

Accord in Algeria

Two sets of negotiators trained in Cartesian logic used all their subtlety in reaching the Franco-Algerian oil agreement, which was finally published last week. As a result, anything simple anyone can say about it is sure to be wrong. Here goes:

In most ways the new terms upon which French companies are to go on producing oil from the Sahara are broadly comparable with those upon which international oil companies produce oil in the Middle East—as modified by this year's "OPEC deals." The companies already producing oil from Saharan reserves will from 1965 onwards pay tax on profits calculated as the difference between their costs and a *valeur de reference*; not the actual price at which they sell their oil, as they have done up to now.

This "tax reference price" is not quite as high as the posted price set for Saharan crudes at Algerian ports, so that these companies have not gone quite over to the system of paying tax according to posted price, as in the Middle East: but it is quite as artificial a price as those Middle East postings, since the discounts that independent customers can obtain on Algerian oil are even higher than they can get in the Middle East. The royalty payable on this Algerian oil, again, will continue to be credited against tax, and not treated as a cost as it is now in the Middle East. But the actual tax rate goes up from 50 per cent to 53 per cent for 1965-67, 54 per cent for 1968, and 55 per cent for 1969; and during 1969 the French and Algerian governments will together decide whether the price and the tax should change further.

These changes for the companies—only the French ones—operating in Algeria will bring them roughly in line with Middle East operators so far as oil is concerned. But they will have to sell the natural gas and natural gas liquids they may produce with it, or from gasfields discovered separately, to the Algerian state on demand. They will get a price set according to their costs, taxes, an agreed return (15 per cent) on the capital employed and spent on exploration, and a "premium" to encourage exploration in Algeria. Anything over and above this that can be obtained as a market price for the gas, the Algerians will get. Effectively, for gas, the companies will become little more than operating "contractors." No Middle East operating company has ever yet been forced on to quite this basis.

These are the changes in terms for existing French companies producing in Algeria. But these have concessions only where they have actually found petroleum; Algeria follows the pattern of France's *Code Napoleon* mining law. They have exploration licences covering a far larger area, where they would up to now have been able to apply for concessions if they struck oil. But exploration and development of the remaining areas covered by French licences will now be transferred to a new French state company which will work in an *Association Co-operative* with an Algerian state company.

These two new state companies will work together primarily in a *surface co-operative*, about 180,000 square kilometres of the most "prospective" acreage in the Sahara still unexplored; this includes most of the territory over which existing French companies hold exploration licences but have not yet been given concessions. The area will be parcelled up into sections, and on these the Algerian and French companies will work in association, with participation varying from 90 per cent French and 10 per cent Algerian to 10 per cent French and 90 per cent Algerian. *But* over the total area where they are associated, their aggregate participation must be 50:50. Within this surface co-operative, the Algerian company must accept at least 10 per cent of any acreage offered to it; but when French companies offer areas they have under licence outside the favoured area to the two new companies, the Algerian company can refuse to participate.

In the *association co-operative*, already nicknamed Ascop, the French company will finance 60 per cent of the Algerian one's share of exploration expenditure (to be repaid later from oil income). If oil is found and developed, the French associate also commits itself to buy any crude that the Algerian offers it (i.e., cannot sell itself), at the full commercial price less a discount that can rise, according to quantity and over time, to 20 per cent.

In some ways these are better terms for the concessionnaire than have recently had to be accepted in the Middle East; in one or two ways, perhaps, better for the government. Not all Middle East governments would relish the government-to-government negotiation involved, and much has been made in discussion of the fact that "oil is only part of the agreement." True; but the other parts include grants and loans from France to Algeria of Fr 1,000 million over five years, plus state guarantees for suppliers' credits by French firms to Algeria; and an increase to 50 per cent in the Algerian share of the company SN Repal. Those might not be so hard to swallow?

This will increase the Algerian revenue from oil production by existing companies significantly, and by the same process cut the French oil profits. The buyers of oil produced from Algeria by these companies—notably refiners in France—will have some hard bargaining in their next supply contracts.

pluses with other communist countries may have provided an offset. In the normal way a surplus with one of its communist trade partners would simply be carried over as a credit against next year's trade. The trade pacts do generally permit the creditor to opt instead for immediate settlement—and settlement in convertible currencies. But the tacit understanding (club rules are not a monopoly of western finance) is that the option will not be taken up.

Long-term debts to Russia have been met by unrequited Chinese exports to its western neighbour. And now finally they have been paid completely. In theory this means that China could run a balance of payments surplus of some $200-$250 million a year and—if the exports were switched to western markets—this would be net earnings of freely convertible currency. In practice nothing of the sort is on the cards. The type of goods shipped to Russia—largely simple textiles and rare metals—will not easily compete in western markets. Competition on the metals is in most cases ruled out by transport costs. Competition in textiles, hardly worthwhile against Japan. Instead of a simple switch of the same goods from one foreign market to another, a shift in China's trade to the West would require the development of entirely new lines for export—not a short-term proposition. The most likely course is balanced trade with Russia at the higher level. It is a solution that would suit Russia whose public has developed a taste for China's silks and still cannot be too fussy about the quality of its textiles. And clearly, at least in the short term, it is a solution that would suit China. The only overnight revolution in China's balance of payments with the West would have to come, as a gift from God, from a turn in the run of bad harvests.

PIPELINE FINANCE

Outside Finance for Oil Hardware

PIPELINE FINANCE, the international consortium of European banks that has been set up to "advise and raise funds for oil and natural gas projects," has an eye to a need developing already that will expand greatly in future: the oil industry's need for outside finance of its "hardware." Whether or not one takes every estimate of the oil industry's future capital requirements seriously (there is a new one from somebody about every six months) there is no doubt that its needs are enormous, and that it will go on seeking to cover more of them from world capital markets than the minuscule proportion it has had to raise there up to now. Downward pressure on prices arising from the world oil surplus, and upward pressure on tax-paid costs from governments of producing countries, are making it hard for the international companies to sustain their margins: self-financing to the degree the industry has enjoyed in the past may nowadays just not be on. At this moment, moreover, the American and British companies that own most of the game are under pressure from their own governments, in balance of payments difficulties, to raise as much as possible of their foreign capital requirements abroad. ("Abroad" is a relative term; affiliates of American companies operating in Britain are fairly worried about Mr Callaghan's references to them last week, when he directed special attention to borrowing by foreign-owned companies in this country.)

"Hardware" is a relative term, too: but here it means fixed depreciable assets upon which the oil industry can reasonably raise loans from European and other capital markets—with the assistance of just such consortiums as Pipeline Finance, which brings together both the London and Paris Rothschilds, S. G. Warburg, the Banque de Paris, the Deutsche Bank, and White Weld of Zurich (the European end of a well-known oil plant engineering group in the United States). Oil companies will not be the only organisations seeking to finance pipeline development in the coming years: trunk pipelines for the movement of Dutch gas around Europe will involve nationalised, private wholesale, and municipal gas undertakings in large-scale development. The field looks a highly promising one for groups that can contribute financial expertise, and hire themselves some oil expertise too.

VOLKSWAGEN CARS

Faster Backs

FOR the first time Volkswagen has had to acknowledge the existence of competition—from General Motors in Germany, and from a lot of other makers in Europe. It has strikingly increased the power of the "beetle," from 41.5 to 50 brake horse power, while increasing the engine capacity only from 1200 cc to 1300 c.c. This is to meet the challenge of the Rekord, made by General Motors' Adam Opel company: this has two versions at 46 and 54 bhp. And the interval between servicings has been lengthened from 3,000 to 6,000 miles.

The 1500 has now become the 1600, with an increase in power from 54 to 65 bhp: this matches the power of the ordinary Opel Rekord, though not of its more highly developed versions. At the same time the 1600 is given a "fast" (or sharply sloping) back, and for the first time in a VW product disc brakes on the front wheels. This presumably prior to its introduction to the United States later this year. Previously only the 1500 Variant (or Estate car) the most successful version of the 1500 in foreign markets, was to be sold there. The changes were needed, for Volkswagen has become dangerously dependent on two markets, domestic and American. These took nearly 70 per cent of the production of beetles (362,750 out of 534,000) in the first half of 1965. The 1500 has not been very successful except in Germany, which accounted for 61 per cent of half yearly sales of 116,000. This—about 4,000 a week—is not a startling rate of production for a car that has been available now for nearly four years by any standards, especially those set by VW and the beetle.

The redesign of the 1500 was certainly to make it less plump and undistinguished in appearance. It may also come from one of VW's most daring advertisements in America. This shows the rear of a beetle, and is labelled "the slowest fast-back on the road." Now presumably VW can advertise that it has the two slowest fast-backs on the market. Such is American confidence in the product that it probably will—and get away with it.

FRENCH TYRE COMPANIES

Interlocking Overlappers

Paris

THE agreement just drawn up between the two main rubber companies, Michelin and Kléber-Colombes, is a notable example of the strengthening of French industrial groups directly provoked by the pressure of American competition. Paradoxically, Goodrich, which has become a

KEY INDICATORS

WORLD COMMODITY PRICES

Metals have fallen back—**tin** and **copper** quite sharply—as the effect of President Johnson's latest decisions on Vietnam wore off. **Beef** and **veal** prices are again slightly lower and a seasonal downturn may follow.

The all-items indicator **fell** 1.2 points this week (to August 4th).

	Index 1958 = 100		Percentage change on *	
	July 28	Aug. 4	One month ago	Twelve months ago
ALL ITEMS	103.5	102.3	+0.6	−4.7
Food	98.1	96.9	−0.5	−10.5
Fibres	100.0	99.7	+0.4	−4.2
Metals	206.3	199.0	+5.7	+14.6

The Economist Commodity Price Indicator includes nineteen commodities weighted according to their relative shares of world trade in 1958.

** Changes relate to this week's figures, but these, except for the metal group, are provisional because quotations for tea and wool are not yet available beyond last week.*

What's peculiar about a Kakapo?

—its peculiarity to New Zealand! A once-prolific ground parrot that frequented forest areas, the KAKAPO has been so consistently preyed upon by imported animals that it is now unhappily very rare. We know this because we are the National Bank of New Zealand. As such we have nearly 200 branches and agencies through which we provide a complete banking service in the North and South Islands. And in providing it we have gained over the years an expert knowledge of many subjects that extends far beyond the scope of banking. Any of it is yours for the asking, if you're thinking of doing business with New Zealand. So when you want to find out more about our country—

ask

The National Bank

OF NEW ZEALAND LIMITED

Established 1872

HEAD OFFICE: 8 MOORGATE, LONDON EC2

Telephone: MONARCH 8311

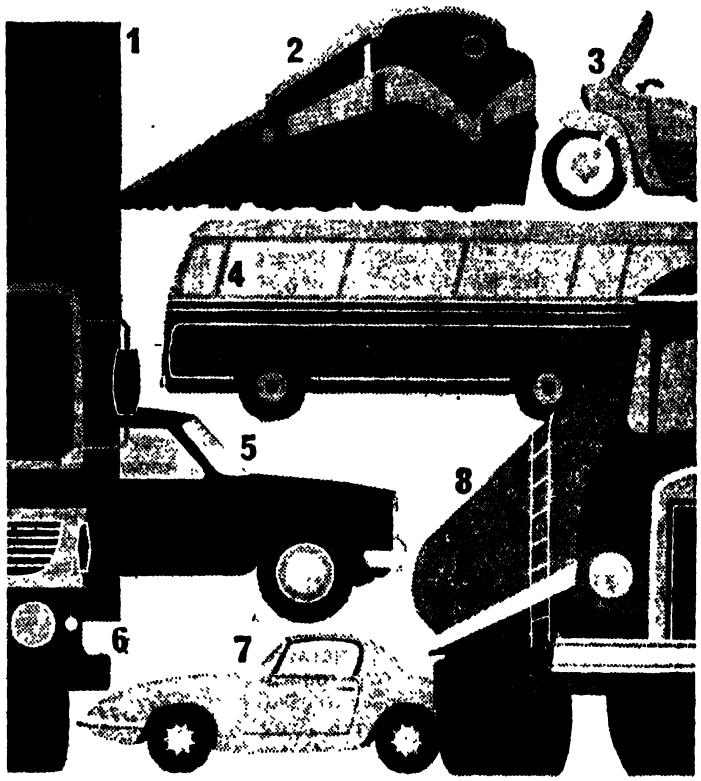
Nearly 200 branches and agencies throughout New Zealand

FIBREGLASS LIMITED plays many parts in TOMORROW'S TRANSPORT

These vehicles, present and future, are collected in an imaginary group, but they are not mere predictions of future trends, each one is an example of an actual application of Fibreglass products. Fibreglass wool for [illegible] and thermal insulation, moulded insulation in lorry cabs and private cars, Fibreglass Reinforced Plastics (F.R.P.) in car bodies, locomotive roofs, train doors and interior structural fittings—the list is endless and increasing.

Fibreglass Limited

ST. HELENS • LANCASHIRE • Tel: St. Helens 24022



1. Insulation of refrigerated vehicles. 2. Thermal and sound insulation, FRP components and air filters in modern railway trains. 3. FRP motor cycle fairings. 4. FRP coach panels and insulation. 5. Sound deadening bonnet pads and roof liners. 6. FRP driver's cab and body. 7. Sports car with FRP body. 8. Insulated road tanker in FRP.

minority shareholder in Kléber-Colombes, has a lot less to do with it than other large American rubber companies, Goodyear, Firestone and US Rubber.

In fact, Goodrich has gradually been moving away from Kléber-Colombes. The first stage of this progressive retreat was taken at the end of the last war, when Goodrich spontaneously gave up the majority holding in a company that it had itself founded in 1910. But it continued to hold about one quarter of the capital, and there were technical agreements between the two companies, particularly in automobile tyres.

In spite of its holding in the Dutch Vredstein company (over 20 per cent), which is also accompanied by a technical agreement, Goodrich is much less actively concerned with the European market than the other big American rubber companies. In France especially, Firestone (in Bethune) and Goodyear (in Amiens) have recently set up big subsidiaries which have so far conquered only a modest share of the national market. And it was this threat that provoked this nationalist alliance between Michelin and Kléber-Colombes (certainly with government encouragement).

Michelin, employing more than 20,000 people, is a world group. Its turnover exceeds Frs. 1,000 million (£72 million) and its hold is firm, especially in France where it has over half the tyre market. In coming closer to Kléber-Colombes, Michelin has, at the least, forestalled its most direct competitors. Even with a turnover of more than Frs. 600 million and a staff of 8,000, Kléber-Colombes had become too small a company to withstand a battle destined to get more and more rough. This handicap was only partly compensated by more diversified activity than Michelin, particularly developed in industrial rubber and plastics where Kléber's activities will be useful to Michelin.

This is an example of the elaborate forms of concentration that are delevolping in France at present. The complete merger is tending to give way to the founding of common subsidiaries, or rationalisation agreements. Michelin officially owns only 10 per cent of Kléber-Colombes capital—it also owns only just over half of Citroën Motors. The invest ment in Kléber is bound to increase. But for the moment it is enough.

RESTRICTIVE PRACTICES

Sole Distributor Gets By

Brussels

THE Common Market Commission recently took another step towards filling in the outlines of its policy on competition when it decided to exempt a sole distribution agreement between a Dutch manufacturer of kitchen utensils, Diepenbrock and Reigers (DRU) NV, and its French agent, Etablissements Blondel SA, from the Rome treaty ban on restrictive business practices. Although the French firm becomes sole authorised agent for DRU products in France, the Commission decided to allow the agreement, because it contains no clause forbidding Etablissements Blondel to re-export DRU products to other member states or obliging DRU to forbid wholesalers in Holland or elsewhere in the Common Market to re-export its products to France. In other words, there is no question of sealing off the French market from the rest of the EEC.

This is the first time that the Commission has used the facility afforded by article 85, clause 3 of the EEC treaty to exempt a duly notified commercial agreement from the general ban on restrictive business practices enunciated in clause 1. It will probably be followed by a number of similar decisions in the next few months. From the legal point of view, two points should be noted about the DRU-Blondel decision. In the first place, the Brussels Commission has reaffirmed its view that sole distribution agreements between firms in different member countries are to be considered *a priori* as agreements in restraint of trade liable to affect trade between the member states and thus banned under clause 1 of article 85. This view is contested by the Italian government, which holds that agreements between producers and distributors, who by definition cannot compete with each other, do not come under article 85 but under article 86 on monopolies and the abuse of dominant positions. The Commission has gone ahead in spite of the fact that the question is now *sub judice* before the Community Court of Justice in Luxemburg. In the second place, the Commission has confirmed what it stated in its decision banning the Grundig-Consten agreement, namely that it has no objection to sole distribution agreements as such. It accepts the argument that in general they lead to improved distribution, one of the two main criteria for exemption under article 85, clause 3. What distinguishes the DRU-Blondel agreement, according to the Commission, is that it fulfills the final condition for exemption laid down by the Rome Treaty, namely that the benefits of the agreement should be shared with the consumer. This is taken as proved by the fact that Etablissements Blondel, although appointed sole agents, will have no automatic monopoly of imports. Under its agreement with Grundig, Consten did have an import monopoly of the German firm's products in France and as a result, according to the Commission, could and did charge monopoly prices, thus making a mockery of the concept of an integrated EEC market.

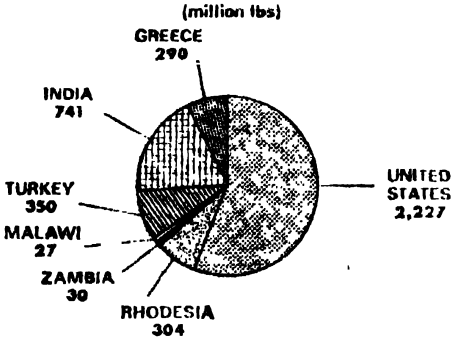
TOBACCO

A Well-known Malady

WITH over 70 per cent of this year's tobacco crop already sold in Southern Rhodesia and western Zambia, measures to restrict production seem to have produced the required effect. Prices have averaged over 35d. a lb compared with under 26d. a lb last season. The measures, which aimed to bring output back from last season's unexpected 324 million lb to around 250 million, were applied for one season only, and the fact that lower prices tended to open up new markets for lower grades suggests that the growers would be wise not to act too hastily.

As with other agricultural commodities now in difficulties, the slump in tobacco prices over the past couple of years seems due mainly to overproduction. Greece and Malawi had record crops in 1963. Malawi enforced a sharp cut in output in 1964, but this was more than offset by unexpectedly heavy crops in Southern Rhodesia and western Zambia. As a result prices slumped to a post-war low of 25.94d. a lb compared with around 41.6d. a year earlier. The United States cut acreage by 10 per cent for the main types of tobacco in 1964, but

Tobacco production in 1964
(million lbs)



	Exports 1964 (£'s mn)	% of total exports
USA	149·7	1·5
Zambia	2·8	1·7
Rhodesia	39·2	32·8*
Malawi	n.a.	n.a.
Turkey	32·1	21·9
India	16·8	2·7
Greece	42·6	38·6

* Total exports include exports to Zambia and Malawi.

higher yields left production only slightly below the 1963 level and added some 200 million lb to already heavy stocks.

Demand in North America and Europe has shown only temporary and limited reactions to periodic reports linking smoking with lung cancer. Far more significant has been the switch to filter tips and the more economical use of leaf by manufacturers. But since 1962, demand in Britain has been feeling the impact of increasing rates of duty. Outside Britain, the use of pipe tobacco, too, is declining, though this is offset by a growing world market for cigars.

Fortunately for the main producing countries—the United States, Southern Rhodesia, Zambia, Malawi, Greece and Turkey—tobacco is far from being such an important source of export revenue as cocoa and coffee are for their main producers. The table indicates the position for each. Greece and Turkey are the most vulnerable, but diversification has been going ahead in tobacco-growing areas.

BUSINESS INVESTMENT

THE CITY IN AUGUST

Rumours, Mergers and a Lot of New Issues

A WET start to an August when even more City men than usual seem to be away was noticeable for an unusually juicy crop of rumours. These centred on the likely effect of the assumed-to-be-bad reserve figures. When the equity market fell on Monday the rationalisation was devaluation fears: the rally on Tuesday and the 4 point rise on Wednesday were then blandly attributed to devaluation hopes. More probable underlying influences were increased expectation of an October election, combined with the not unreasonable feeling that this is the right point on Britain's familiar trade cycle at which to step in and buy.

As if to top all came the rumour that Lord Cromer had cut his summer holiday short to return to London in mid-week—in fact he was due to leave only at the weekend. As if to emphasise the flightiness of the market, Baltic Bonds rose up to eleven points after the announcement that negotiations on repayment would be resumed with the Russians in October, after a prolonged pause: since Britain only recognises Russian rule over the former Baltic States *de facto*, and not *de jure*, it has a diplomatic weapon to wield. But, to judge from previous settlements with communist governments, too much should not be hoped for.

But even at this curious period some real events are happening in the market. First come the consequences of low market turnover: scarcely more in July than in June for equities, back considerably from the June level (when there was a Conversion offer) in gilt-edged. With the outlook for business continuing bad over the next few months the number of impending mergers of small and medium-sized broking firms continues to mount.

As corollary of the search for business comes a renewal of the perennial and amply justified plea for advertising by brokers. Now that the very active Hentz has joined Merrill Lynch as American brokers in London prepared to advertise for business the pressure is on the Stock Exchange Council to let British brokers advertise—or at least let newspapers say from whose circulars they are cribbing their best comments on company affairs. Such advertising will probably come only with—or even after—mergers of frightened small firms.

The fixed-interest industrial market is now the only source of new issues, as rights issues are now even dearer. A number of large companies are nearing the market with Debentures to offer—mostly at 7½% or more—a list noticeably headed by Hawker Siddeley, which had been confident of not having to fund any of its £26 million net overdraft only a couple of months ago. And the pressure may get worse later in the year. A number of American companies have built up very large overdrafts over the last year as their parents, frightened of the weakness of sterling, drained them of funds. They are to be roughly squeezed if the banks obey the Bank of England's latest dictat that these borrowings, however permanently they may have been granted, are to be reviewed at the end of September. With one eye on the British banks and the other on their President, they may have to fund here—as British companies are having to use foreign markets for the capital needs of their own overseas business.

In the circumstances brokers' advice is getting super-cautious. One will say that a perfectly good equity portfolio can be constructed to yield a solid 7½%, with decided hope of capital profit come the next boom from such shares as British Motor (8.2%, at 12s. 1½d.), Hawker Siddeley (7.5% at 32s. 9d.), Radiation (7.3% at 44s.), Associated British Picture (6.1% at 24s. 9½d.), and any number of large breweries at or around 5½%. Other analysts are going back to the past to remember the fifteen years of agony after the slump of 1873—that was the *real* depression—or the cuts in the dividends of steel companies that preceded by several years the slump of 1929.

The seriously gloomy are digging in with building societies or medium dated gilt-edged—since according to them the market could still be unhappy when the shorts are due for redemption. Some are buying foreign stocks or (despite burnt fingers last November) shares in British companies with large overseas interests. They all seem to think that Imperial Tobacco (7.4% at 5s. 3d.) is worth buying. Some brokers are even doing a fair amount of business. But not all the time. And with no great expectations of better times.

BRITISH PRINTING CORPORATION

End of the Beginning

THE dispute in British Printing has been settled in the family thanks to the pressure from institutional shareholders, large customers, and banking creditors. Mr Wilfred Harvey is to retire from the board of British Printing Corporation on October 31st. He will remain available "in a consultative capacity" for a couple of years until he is seventy and will be paid according to the formula used before Purnell, his old company, took over Sir Geoffrey Crowther's Hazell Sun. He will not claim any commission on the profits earned by Hazell Sun—this without having made a formal reply to the attacks of his critics. Sir Dingwall Bateson, whose appointment to the board of BPC was one of the causes of discontent of the Hazell Sun directors, is to retire—though the statement says that he "was elected to the board for the purpose of helping to resolve the difficulties," which is certainly an original line of thought. Mr Peter Lavington, Mr Harvey's son-in-law, appoined to the board at the same time as Sir Dingwall, is to remain.

Now all parties have gone on holiday, interrupted in the case of Sir Geoffrey and Mr Rayne by a well-publicised lunch at the Savoy Grill. The interval leaves a number of gaps. BPC needs refinancing, at a time when debentures cost about 7½%. It needs a chairman who will deal with possible bidders, and with restive customers,

KEY INDICATORS

MOVEMENTS ON THE WORLD BOURSES

LONDON
Disturbed — both ways — by worries about sterling.

NEW YORK
Marching on to war.

JAPAN
Recovery continues.

	INDICES *		Percentage change from:		
	July 28 †	Aug. 4 †	A week ago	A month ago	A year ago
London	362·4	370·2	+2·2	+2·5	—11·7
New York	867·9	883·9	+1·8	+1·2	+ 6·1
France	88·5	90·2	+1·9	+1·8	—11·9
Germany	93·6	95·1	+1·6	+6·1	—10·5
Holland	330·3	333·0	+0·9	+0·1	— 1·8
Canada	153·0	156·8	+2·5	—1·7	+ 1·2
Australia	319·0	318·4	—0·2	+3·4	—15·2
Japan	1,085·4	1,135·3	+4·6	+8·2	—12·4

* For Bases and Stock Prices and Yields see pages 573 and 574.
† London, July 29th and August 5th.

bankers and managers. It needs a managing director who can create a central organisation in BPC capable of sorting out its heterogenous collection of printing companies. And the group is short of managers able to run individual units effectively—for different printing works have different and non-standard managerial needs.

The delay in making these decisions is unfortunate, since business and initiative seep out of a group left for long in such a state of indecision—although the share price, firm at 18s. 3½d., reflects relief at the end of the troubles, rather than the real position of the group. Only this week Thomson Publications started to print the *Illustrated London News* at an independent printer: it had formerly been printed by letter-press at Sun Printers, part of Hazell Sun. It is now being printed by web-fed offset litho. Plant suitable for the job is apparently available at another BPC subsidiary, which did not have the necessary technical courage to quote for the job, even though it was invited to do so. And there could be other losses sooner rather than later.

HARVEYS OF BRISTOL SHOWERINGS

Cold War

THE bid from Showerings Vine Products and Whiteways for Harveys of Bristol is now four weeks old. But still no detailed statement has been issued from the Showerings side. No doubt it is against the nature of a Somerset man to rush anything and Mr George McWatters, is on firm ground in urging the Showerings directors to hurry up. Since the Harveys directors are reserving their comments until the detailed statement has been issued, the whole future of Harveys has been in suspense for nearly a month.

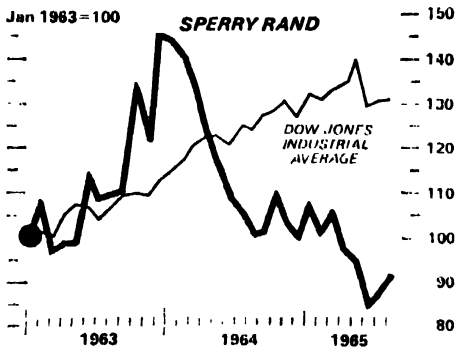
The Harveys directors have let it be known that they have written to Showerings asking for profits and dividend forecast to support the bid. Taking their inspiration from the British Printing Corporation *cause célèbre* they have also requested details of the Showerings directors' service agreements. This is evidently to be a normal feature of take-over negotiations in future. Meanwhile to help shareholders make up their minds the Harveys accounts have been published a fortnight early. But these do little to support the Harveys' view that the offer, on present information, is not acceptable. The profits figures for the year were already known. How much of the 1964-65 increase arises from the sale of the loss-making Bristol Vintners chain is still not disclosed. The trump (if that it what it is) may be played later when Showerings has shown its hand. So may a profits forecast.

What does seem to have emerged over the last four weeks is that nobody else is eager to bid for Harveys—or at least nobody is inclined to enter the fray at this stage. In fact there have been no signs that the Harveys directors, who claim the support of about 35 per cent of the shareholders, have even attempted to rustle up a better bid. The market too has given up hope. Harveys shares now stand at 17s. 10½d., against the value of the bid, 18s. 2d.

SPERRY RAND

Univacuum?

MR J. FRANK FORSTER takes over as President from Mr Harry Vickers, for many years the presiding genius of Sperry Rand, at the fourth annual general meeting at which the dividend on the common stock was passed. Sperry Rand has been suffering for the last few years from a squeeze on three of its activities: defence orders (40% of sales last year) have been fewer and less profitable since the arrival of Mr McNamara at the Pentagon: Univac is among the many unprofitable computer companies: competition in the typewriter market has been cutthroat, and Remington has suffered with the rest.



So sales, nearly $1.25 billion in the year to March 31st, were scarcely higher than they had been five years before, and pre-tax profit, at $52 million, much as it had been in the years since 1958. But there were special write-offs of nearly $19 million for obsolescent computers and equipment—and the whole basis of depreciation for computers has now been made decidedly more conservative. Not that Sperry Rand lacks considerable strengths. Vickers Hydraulic equipment does well, despite attempts by the makers of construction equipment to make their own equipment. New Holland Farm machinery continues to benefit from farm mechanisation, and has strengthened its interests in Europe with the acquisition of the Belgian Claeys company. These two interests increased their sales by $46 million to $338 million.

Of the ailing divisions the most hopeful is the defence side. With a whole range of navigational and radar devices, Sperry Rand will be a prime beneficiary of the upsurge in basic defence spending that seems certain as the war in Vietnam continues to escalate. Sales of equipment to the American government were virtually $100 million down last year at $500 million. A return to pre-1960 "normality" would provide a major impetus to the company. Remington office machinery is good, but the competition is far hotter than in Remington's palmy days, with Olivetti-Underwood recovering, and International Business Machines a major competitor for electric typewriters.

But the big question-mark hangs over the Univac computer division, supposedly a pet of Mr Vickers. Univac made the first computer, and its technical strength has never been doubted. But with sales of under $300 million, it is competing "across the board" with IBM—whose sales were $3.2 billion last year. In fast scientific computers it is facing fierce and successful competition from Control Data and Scientific Data Systems. Unlike RCA and General Electric, it has no real associates or licensees in Europe or Britain. Although Univac recently got the £6 million contract for a bookings computer for British European Airways. Even so the future looks pretty bleak. The new President, after making his name as head of the Vickers Hydraulics division, went in last year as a new broom in Univac: he prudently refused to say when the company would start to make profits, and may be now considering possible deals. But with whom? Most possible European link-ups, with the exception of Philips, have been pre-empted by competitors. At this late stage no-one (not even Philips) can be frightfully anxious to get into the market for commercial computers, as opposed to the systems control or factory automation business. How far new management can trim unprofitable business is still not clear. At the moment the price of $12⅛, with a price-earnings ratio of 14½, is not as pessimistic as the record of the share price—and the company—over the last few years might suggest.

TIMES 300 COMPANIES

Real Figures Next Time?

THE bold attempt by *The Times* to emulate *Fortune* magazine and publish a list of the 300 largest companies in Britain* has not been entirely successful—largely because British companies do not publish all the necessary statistics. *Fortune*'s list of American companies comprises the top 500, by order of sales. *The Times* has to go by capital employed. This is regrettable but inevitable: over half the companies in the 300 do not give any indication of their turnover.

While no one expects any useful sales figures from shipping companies, there are oddities in other sectors. Watney Mann among the breweries is alone in giving turnover, British-American alone among tobacco companies in not giving it—though in other fields sales silence is also maintained by some subsidiaries of important American companies, such as Heinz, Woolworth, Mobil Oil and Procter & Gamble. Interestingly, however, only 12 out of the top 50 companies do not give

* The Times 300, 5s. from *The Times*, Printing House Square, London, EC4.

turnover, against thirty-two from the bottom fifty. Last year's demand by the London Stock Exchange for turnover figures is beginning to affect companies; it may be possible for next year's list to be graded by turnover. If so, *The Times* will have to take care to exclude excise duties in the sales of tobacco and oil companies—not to mention the breweries. Turnover is given gross in all cases at the moment. *Fortune* tries to give a net figure, and, indeed, guesses where official figures are not given.

Even in the present list there are doubts to be raised, and not only because the dates of valuation of assets vary so wildly as to make them of limited value. Trade and other investments are put in at book, not at market, value (which is also in the accounts), which can make nonsense with some companies—Burmah Oil, for example, where the excess of market over book value of the holding of shares in British Petroleum and Shell is £140 million, enough to jump the company up from twentieth to sixth place in the list. And one minor point: the market capitalisation of Montague Burton is given at a sensationally low £5.2 million. This, of course, is the value only of the voting Ordinary capital. If the non-voting "A" shares are included, the total becomes a more reasonable £30¼ million.

Only the best and worst figures are given for "return on capital employed." Half the bottom 15 are shipping companies, four are shipbuilders, two are steel companies—as might be expected. The two highest are Granada and Associated Television, although the figures may be different next year when the turnover levy on television advertising has had a real chance to bite. It is a pity that the list does not give return on capital for all 300, as it does profits. Given the generally inadequate standard of corporate accounting to shareholders in this country, any attempt to tabulate orders must be inadequate. This one is useful none the less.

FUEL DISTRIBUTION

Profits Not in the Bag

THE fuel companies, encouraged by British Rail, are concentrating their depots. This means that the average haul for delivery by road tends to get longer and more expensive. But the market is not growing over the longer-term and profits will not be made easily. So the companies are having an unhappy time, since the reorganisation by the railways involves the merchants themselves in considerable capital expenditure on more modern handling equipment and metered delivery vehicles.

Charrington, Gardner, Locket's pre-tax profit for the year to March 31st, a little down on the previous year's at £1.07 million, was just 2% of sales; a narrow margin but much better than the 0.8% for 1964. The rewards for consolidating into larger units and taking over smaller companies in the retail coal trade are small, but at least Charrington's profits appear to be in an uptrend despite the fall this year, caused by the recently found losses of an engineering subsidiary which should not recur after the current years. The profits of **Rickett, Cockerell,** however, have been falling for the past three years and this year's figure (to March 31st) of £429,000 is even below 1961's. No figures for sales are given; one can only suspect that profit margins are even narrower than Charrington's. It is certainly surprising to learn that in 1964 Rickett had more orders for cheap summer coal than it had stocks when the season ended and was consequently forced to buy at in-season prices.

Neither company has any gearing; Charrington has a comparatively large net overdraft of £800,000, Rickett a modest one of £50,000. But Charrington ploughs back more proportionally. Its dividend is covered 2.6 times (after a low tax charge of 44%) and with a fairly high depreciation charge the net cash flow at £900,000 is about 90% of pre-tax profits. Rickett's dividend is covered 1.7 times (after a 54% tax charge); its depreciation is lower than Charrington's, so net cash flow is equivalent to just under 40% of pre-tax profits. The balance sheets suggest that Charrington has used its large ploughback on plant and equipment, which represents 62% of its net assets, compared with Rickett's 47%; and Rickett's sales of these assets show that it depreciates them more fully, and so uses them longer, before selling. Charrington, then, gets a lower return on its assets than Rickett, but, perhaps because it is using more modern equipment, it does manage to increase its profits. It has also diversified more fully with fuel oil distribution (for Mobil) as opposed to Rickett's agency business and various transport interests. Both companies are also builders' merchants, a traditional association of interests for coal merchants.

Narrow margins and, in Rickett's case, falling profits, argue that both companies are still too small and integration in the retail coal trade has not gone far enough.

Profitable competition now is not between coal merchants but between coal, oil, gas and electricity. And with the demand for domestic coal falling off the domestic oil trade is going to become increasingly important. The narrowly traded Rickett shares yield 9.1% at 16s. 6d. and Charrington's 5.7% at 8s. 6d. How long the two companies can remain independent must depend largely on the attitude of the family directors of Rickett. The Charrington directors for their part must be watching suspiciously the much larger and generally more profitable Powell Duffryn; for them it might be a matter of taking over or being taken over.

Powell Duffryn, though originally a big colliery owner, now has a wide range of interests, and coal distribution provides only 16% of group trading income. But this small proportion is £600,000 and oil provides a further £700,000, so Powell Duffryn is still a large unit in the fuel business, nearly as big as Charrington and Rickett combined on a profits basis. Despite troubles in some of the other subsidiaries, trading profit for the year to March 31st was up by £300,000 to £5.1 million; but after higher interest and tax charges, equity earnings were scarcely changed at £2 million. The dividend is raised a point to 11%. At 19s. 1½d., the share yields 5.8%.

Last year's results do not fully justify this fairly low yield. Powell Duffryn is

essentially an industrial holding company and their shares yield 8% or more—except for Thomas Tilling, with its exceptional record. The company's management is now to be reorganised along normal and sensible holding company lines, with the chairman, vice-chairman and finance director to be left free to concentrate on group affairs. This set-up should help the company to avoid the holding company's curse, which it encountered last year; the subsidiary (in this case heating and air conditioning) which lets the rest down.

Throughout the previous credit squeeze, Powell Duffryn managed to raise its profits and equity earnings. But it will not have an easy task in increasing the profits of its heating and air conditioning subsidiary in a crowded market. And, while cold winters encourage higher fuel sales, they do not necessarily bring higher profits, since marginal delivery costs rise very quickly although the new West Drayton depot was running well below capacity, and consequently inefficiently. The dividend is more than safe with a cover of 2.5 times. Cash flow should increase under corporation tax and the group's financial position, already strong with net overdrafts down impressively to £¼ million against £3¼ million the year before, will be strengthened further. And cash in a depressed stock market can be put to a good use.

KREDITANSTALT FÜR WIEDERAUFBAU
(Reconstruction Loan Corporation)

FRANKFURT-ON-MAIN, GERMANY

BALANCE SHEET AS AT 31st DECEMBER, 1964

ASSETS

	DM	DM	DM
1. Cash Reserve :—			
(a) Cash in hand		33,614.63	
(b) Balances on clearing accounts at the Deutsche Bundesbank and on Postal Cheque Account		14,369,074.48	
			14,402,689.11
2. Balances at Banks :—			
(a) Sight balances		424,396,125.24	
(b) Due within 3 months ...		244,000,000.—	
(c) Due after 3 months or later		250,000.—	
			668,646,125.24
3. Bills of Exchange and Promissory Notes—Foreign promissory notes (Rourkela)... ...			28,321,825.04
4. Securities :—			
(a) Own bonds, par value DM 11,010,400.— ...		10,997,765.38	
(b) Other fixed-interest securities		1,324,200.—	
			12,321,965.38
5. Debtors :—			
(a) Loans granted :			
to banks for transmission to borrowers	4,415,647,311.38		
direct to borrowers ...	4,162,908,232.26		
		8,578,555,543.64	
(b) Interest :			
proportional interest ...	19,975,213.61		
due interest	5,638,278.96		
		25,613,492.57	
(c) Other claims		98,377,167.71	
			8,702,546,203.89
6. Capital not yet paid up... ...			850,000,000.—
7. Participations			10,015,050.—
8. Real Estate and Buildings ...			6,000,001.—
9. Office Furniture and Materials			1.—
10. Deferred Items payable ...			23,674,840.42
11. Trustee transactions :—			
(a) trustee loans to borrowers in our own name... ...		3,465,862,214.64	
(b) trustee loans to borrowers on behalf of third parties	176,061,000.—		
(c) other trustee transactions in our own name... ...		117,730,371.56	
			3,583,592,586.20
12. Customers' Liabilities in respect of Guarantees... ...	406,228,044.41		
			13,899,521,287.28

LIABILITIES

	DM	DM	DM
1. Creditors :—			
(a) Federal Republic of Germany	5,007,524,387.03		
(b) Laender of the Federal Republic	900,000,000.—		
(c) Other lenders	1,224,769,666.67		
		6,732,294,053.70	
(d) Interest :			
proportional interest ...	5,763,334.10		
due interest	96,103,016.02		
		101,866,350.12	
(e) Other liabilities		12,539,570.51	
			6,846,699,974.33
2. Promissory Notes			79,500,000.—
3. Bonds, etc. in Circulation :—			
(a) Bonded loans :			
6% Loan 1958	90,000,000.—		
5½% Loan 1959	150,000,000.—		
6% Loan 1961	119,683,000.—		
5¾% Loan 1962	200,000,000.—		
6% Loan 1963 I. ...	200,000,000.—		
6% Loan 1963 II. ...	150,000,000.—		
6% Loan 1964	197,854,400.—		
		1,107,537,400.—	
(b) Medium-term notes :			
4% 4-year Notes 1961	109,200,000.—		
4% 4-year Notes 1962	60,000,000.—		
4% 4-year Notes 1963	130,000,000.—		
4% 3-year Notes 1964	50,000,000.—		
4½% 4-year Notes 1963	60,000,000.—		
4½% 4-year Notes 1964	352,000,000.—		
4¾% 3-year Notes 1963	6,000,000.—		
		767,200,000.—	
(c) Drawn bonds		51,854,400.—	
(d) Interest :			
proportional interest ...	21,928,233.63		
due interest	10,781,295.83		
		32,709,529.46	
			1,959,301,329.46
4. Capital Funds :—			
(a) Capital		1,000,000,000.—	
(b) Reserve formed from resources of the ERP Special Fund		180,365,958.—	
(c) Statutory Reserve ...		125,000,000.—	
(d) Special Reserve		99,292,718.50	
			1,404,658,676.50
5. Reserves for Special Purposes			14,530,895.07
6. Deferred Items receivable ...			11,237,825.72
7. Trustee transactions :—			
(a) trustee loans to borrowers in our own name ...		3,465,862,214.64	
(b) trustee loans to borrowers on behalf of third parties	176,061,000.—		
(c) other trustee transactions in our own name ...		117,730,371.56	
			3,583,592,586.20
8. Liabilities in respect of Guarantees	406,228,044.41		
			13,899,521,287.28

PROFIT AND LOSS ACCOUNT FOR 1964

EXPENDITURE

	DM	DM
1. Operating Expenses		11,377,557.11
2. Depreciation :—		
on real estate and buildings	5,994,739.44	
on office furniture and materials	265,298.14	
		6,260,037.58
3. Transfer to Reserves for Special Purposes... ...		1,035,028.30
4. Other Expenditure		10,007,728.31
5. Net Profit for 1964 (transferred to Special Reserve)		26,503,931.39
		55,184,282.89

RECEIPTS

	DM
1. Interest received in excess of interest paid	42,714,334.03
2. Other receipts	12,388,731.18
3. Extraordinary receipts	81,217.68
	55,184,282.89

Frankfurt-on-Main, 15th March, 1965.

KREDITANSTALT FÜR WIEDERAUFBAU

DR. MARTINI DR. RIECK DR. GUTH BACHEM DR. THIESSEN

According to the balance resulting from our audit, which was duly carried out on the basis of the books and records of the Kreditanstalt fur Wiederaufbau as well as of the explanations and proof supplied by the Board of Management, the bookkeeping and the Annual Statement of Accounts as at 31st December, 1964, are in accordance with the provisions of the law.

Deutsche Revisions- und Treuhand-Aktiengesellschaft
(German Auditing and Trust Company)

Frankfurt-on-Main, 24th March, 1965.

DR. ADLER
Certified Auditor

DR. SCHOLZ
Certified Auditor

Società italiana per condotte d'acqua

S.p.A.

Head Office: Viale Liegi, 26, Rome

Paid-up Capital Lit. 5,000,000,000

EXTRACTS FROM ANNUAL REPORT FOR 1964

The Annual General Meeting and an Extraordinary General Meeting of Società Italiana per Condotte d'Acqua S.p.A. was held on June 14, 1965, at 10.30 a.m. at the new head office in Viale Liegi, 26, **Cav. di Gr. Cr. Marchese Giovanni Battista Sacchetti,** Chairman of the Board of Directors, presiding. After the detailed report of the Board of Directors, illustrated by Cav. del Lavoro Prof. Dott. Loris Corbi, Deputy Chairman and Managing Director, as well as the report of the auditors had been read, the Balance Sheet at December 31, 1964 was adopted unanimously. It closed with a net profit of Lit. 630,028,965 out of which a dividend of Lit. 28 before tax per share of Lit. 250 nominal has been distributed as from June 16th.

It was also resolved to fix the number of the members of the Board of Directors at 9, to confirm in office the retiring directors, and to elect Rag. Raoul Picello as a new member.

The auditors, whose three-year term of office had also expired, were equally confirmed in office.

CAPITAL OF THE COMPANY INCREASED

It was also resolved unanimously (thus taking a praiseworthy step towards a more balanced ratio of resources to loans in relation to the nature and the term of the latter) to increase the Company's capital from its present figure of Lit. 5,000m. to Lit. 7,000m. by the issue of 8m. shares of Lit. 250 nominal each, to be offered to present shareholders as of right at par at the rate of two new shares for each 5 shares held plus a possible charge for expenses. It was further unanimously resolved to issue an unsecured debenture loan of an amount not in excess of Lit. 3,000m. at a rate of interest not exceeding 6 per cent for a maximum term of 20 years, with the Company being entitled to effect total or partial redemption of the loan before the due date.

PROGRESS DURING 1964

As regards the Company's high level of activity during 1964, the large number of projects completed during the year included in particular the construction of a stretch of around 9 km. of the Autostrada del Sole, between Incisa Valdarno and Magliano Sabino at the bend of the Tiber river, the river being spanned by two bridges. This involved some rather difficult foundation work which was carried out successfully.

Other projects worth noting, apart from the work on the longest car-tunnel in the world (the Mont Blanc Tunnel) carried out in previous years, included the building of the road bed of the tunnel and of the ventilation conduits for fresh and used air, both of which were carried out with large reinforced concrete components, prefabricated in a plant specially designed and built at the tunnel approach.

This was a highly specialised undertaking for which there were no precedents of any kind, carried out in record time very much in advance of the period contracted for, which made it possible to open the tunnel to traffic by the middle of July.

The contracts, signed in previous years and carried out during 1964, are many in number spread over different parts of the country and covering a variety of special skills. Some of them were completed during the first few months of the current year, and others are approaching completion, whilst the Company remains engaged in a host of important works requiring high standards, such as the outstanding viaduct over the Polcevera river, the difficult Pollino tunnel, and the embankment for the Nicoletti reservoir.

As for works contracted for in the course of the year, their total falls far short of the work carried out during the same period. This was due primarily to the need facing those responsible for the country's economic policy at the end of 1963, to select projects already planned in relation to their urgency in order to reduce overall expenditure.

The abrupt stop which had become necessary between the end of 1963 and the beginning of 1964 to save money, and with it the national economy threatened by maddening increases in both costs and consumption, also affected projects of public works by putting back those that could be deferred.

In this connection the report expresses the hope that those in charge of Italian affairs not only realised the loss suffered by the companies as a result of certain threatened reforms, but also had the courage to denounce the errors committed, and to undertake to review the plans.

It should be added here that, for their part, the undertakings concerned will be engaged increasingly in competition on business and costs with groups and countries that are progressively stronger and more determined.

CONTINUING RISE IN TURNOVER

As far as the company itself is concerned, it is pointed out that turnover was up by 47.7 per cent on 1963, and that Group turnover was up by 89.5 per cent on the encouraging figure of the previous year. All the Company's previous achievements in its long and honourable history were surpassed during the year, and by a wide margin at that (in terms of real values).

A comparison between the national index figures relating to the growth of industrial production (base 1953 = 100) and that of the Company and the Group shows the following picture:

				Changes in % as against the previous year	
	1953	1963	1964	1963	1964
General National Index	100	241	242	+ 8·7	+ 0·4
Condotte Index	100	264	390	− 5·5	+47·7
Condotte Group Index	100	369	697	+24·2	+89·5

Whilst allowing for the inevitable weakness of such comparisons it seems clear that there was a notable difference between the progress made during the period under review by national production as a whole on the one hand, and that of the Company and the Group on the other.

THE BALANCE SHEET

The balance sheet, which reflects the progress made by the Company, shows the following picture in its most important items (in Lit. m. with the differences with the preceding year being given in brackets):

Assets: "sundry debtors and debtors (associated companies 6,512.3 (+2,190.6); "works" 5,280.2 (+589); "trade investments 2,040.1 (+83); "real estate" 2,039.5 (+352); "plant and machinery" 4,918.2 (185.8).

Liabilities: "share capital" 5,000; "5.5 per cent bonds" 3,750; "banks and other financial institutions" 3,021; "bills" 3,500; "depreciation fund" 3,397.8.

STEEL BROTHERS AND COMPANY LIMITED

MR W. F. G. SALKELD'S REVIEW OF HOME AND OVERSEAS OPERATIONS

The seventy-fourth Annual General Meeting of Steel Brothers and Company Limited will be held on August 27th in London.

The following is an extract from the statement by the Chairman and Managing Director, **Mr W. F. G. Salkeld,** which has been circulated to Shareholders:

Our profits for the year at £491,459 are down as compared with the 1963 profits of £639,633. Last year we had the benefit of a substantial profit from the sale of assets and this coupled with a reduced income from our petroleum interests accounts mainly for the decrease. After providing £280,000 for taxation the net profit for the year was £211,459. This figure is greater by £39,351 than the consolidated profit; this is largely accounted for by losses of certain subsidiaries which have been met from their profits of previous years.

Dividends have been paid as set out in the Report of the Directors and we have considered it prudent to place £87,500 to the reserve for contingencies bringing it up to £387,500.

UNITED KINGDOM:

Carbutt & Co. (1928) Ltd.: This Company **again made a loss although with the disposal of the London mill this was much reduced and to a considerable extent arose from the cost of winding up the London organisation.**

Their Subsidiary, Walter Holmes Ltd of Hull, did not have as good a year as in 1963.

An increased dividend was received from their trade investment, Yorkshire Agricultural Driers Ltd., which again made a satisfactory profit.

Sondes Place Research Laboratories Ltd.: The volume of work on the chemical side proved disappointing during 1964 and in the absence of long term contracts, although the mechanical side made good progress, the Company again incurred a loss.

Expanded Perlite Limited: As expected this Company experienced adverse conditions in 1964—restricted demand and reduced prices for its products—and no Dividend has been paid. Sales in the current year so far are on a more encouraging scale though profit margins remain very thin.

Steel Brothers & Higgins (Insurance) Ltd.: Our wholly owned Subsidiary of Lloyds brokers had a successful year; results show a satisfactory increase in income and profit. The growth in income for 1965 to date has been maintained.

As opportunities are available we are seeking to expand our activities in insurance.

H. G. Sanders & Son Ltd.: As anticipated when we purchased our interest a period of reorganisation ensued the fruits of which were becoming apparent by the end of the year.

OVERSEAS

BURMA: I regret to advise that we have so far made no progress in remitting our funds out of Burma and have therefore the equivalent of £763,000 lying in the Banks in Rangoon. Nor, I regret to say, have we received the Burmese Government's permission to transfer the two properties (book value £109,000) which have been sold subject to this permission.

INDIA: The food procurement agency for the Indian Tea Association functioned satisfactorily during 1964 in spite of supply difficulties.

The Indo-Burma Petroleum Co. Ltd.: Very competitive conditions prevailed in the oil market and lower profit margins were again experienced. This has been reflected in a Dividend of 12½ per cent on the Ordinary Capital compared with 17½ per cent Dividend plus 5 per cent special distribution for 1963.

PAKISTAN: Final figures for Pakistan as a whole were rather better than in 1963 in that although restrictions on trading resulted in a poorer year in Karachi this was more than compensated for by improved results from Chittagong.

In the current year the same broad pattern continues.

CEYLON: Our subsidiaries, E. B. Creasey & Co. Ltd and Darley, Butler & Co. Ltd., had a reasonably satisfactory year though economic conditions in Ceylon continued difficult and a moratorium was declared on the remittance of dividends. At the time of writing the economic climate appears rather brighter.

MIDDLE EAST: Our Associated Company, Spinney's (1948) Ltd, had a satisfactory year and we have received the same Dividend as last year.

In Iraq our Associated Company, Rafidain Developments Ltd had a successful year.

EAST AFRICA: Our Associates, A. Baumann & Company, Limited, continued to trade on a satisfactory basis.

CANADA: Last year at this time we were in process of purchasing outstanding minority interests in our various Companies in Western Canada and regrouping our operating interests as Divisions or investments of one Company with headquarters in Vancouver. This reorganisation was begun in 1964 and completed early this year and all our Canadian trading and manufacturing interests are now owned by one Company called Steel Brothers & Co. (Canada) Ltd. Both turnover and profits increased in 1964 and with Western Canada flourishing all indications are that 1965 should also be successful.

PROSPECTS: In many of the Countries in which we operate political and economic conditions make forecasting hazardous but so far in the current year overall results are not greatly different from those of 1964.

THE INDIAN IRON & STEEL CO. LTD.

(Incorporated under the Indian Companies Act 1913)

The Annual General Meeting of The Indian Iron & Steel Company, Limited will be held on September 3 in Calcutta.

The following is an extract from the statement by the Chairman, **Sir Biren Mookerjee,** which has been issued to the shareholders for the year ended March 31, 1965.

Following upon the achievement for two years in succession of a production of steel approximating to the rated capacity of the plant, I had stated last year that barring untoward events, it was hoped that this position would be maintained. Unfortunately, in the year under review untoward events did, in fact, occur and as a consequence the production of steel ingots fell to 949,887 tonnes, representing a reduction of 76,899 tonnes from the production of the previous year.

The major misfortune was the loss of output occasioned by a mishap to No. 3 Blast Furnace that occurred on June 26, 1964. The difficulties and hazards of restarting a blast furnace after a long and premature emergency shutdown are well known, and this occasion was no exception. It was only after many disappointing and at times heartbreaking experiences that the furnace was successfully restored to normality on August 8, 1964, the loss of iron production occasioned by the occurrence amounting to approximately 60,000 tonnes.

The poor and violently fluctuating quality of the supplies of coal and limestone rendered operations throughout the year exceptionally difficult. Fluctuation in quality is of itself no new problem, but in the matter of average quality it had been thought previously that as regards coal the position could not conceivably deteriorate further from that of the previous year, when the average ash content of the coal supplies reached the appallingly high figure of 18.76 per cent. In the event, quality did, in fact, still further deteriorate and in the year under review the average ash content of our coal amounted to no less than 19.55 per cent. The resultant increase in the ash content of the coke charged to the blast furnaces led to still greater difficulties of operation and was inevitably reflected in an increased volume of slag with consequent marked reduction in the output of iron from the furnaces.

In this matter of coal we are to a large extent helpless, since the position resolves itself essentially into a question either of accepting the allotments made by the Coal Controller or of going without.

It is apparent that any long-term relief is to be looked for only in the building up of production from the Company's own colliery properties and the vast Collieries Development Project on which we are now fully launched is being pressed forward with the utmost possible expedition. The completion of this Project will render us practically independent of outside sources and will ensure regular supplies of consistently good quality coking coal with great consequential benefit in the operational efficiency of our blast furnaces.

KULTI FOUNDRIES

The total production of castings for the year under review was again governed largely by the

availability of pig iron and, at 213,399 tonnes, remained below the capacity of the foundries.

From the technical aspect, the year was interesting as establishing our ability satisfactorily to undertake a range of castings, both of steel and of iron, of a more difficult and intricate nature than previously indigenously produced and in the development by us of a new type of sand stowing pipe; whilst research was continued towards the meeting to a wider degree of the specialised casting requirements of the country's chemical industries.

COLLIERIES DEVELOPMENT PROJECT

The Project embraces the three coal-bearing properties of the Company, comprising the virgin area at Chasnalla together with the existing mines at Noonodih-Jitpur, some 5½ miles from Chasnalla, and Ramnagore, adjoining the Kulti Works. The programme for Ramnagore covers primarily the sand stowing and de-pillaring of the workings and that for Noonodih-Jitpur sand stowing of existing workings and the deepening of the mines to tap new and lower seams of coal, the principal objective of the Project being the large scale opening up of the Chasnalla area. Noonodih-Jitpur will be connected by ropeway to Chasnalla and from Chasnalla, where the coal preparation plant is sited, another ropeway over 33 miles in length will connect with the Burnpur Works.

Work on the No. 3 Shaft at Jitpur has already reached a depth of over 800 ft. from the original level of 250 ft. and is now in hand on the Noonodih Shaft. Of the three shafts at Chasnalla, the main 17 ft. diameter West Mine Up-cast Shaft has reached a depth of 215 ft. against an ultimate depth of 1,750 ft. while the shaft-head collars at the West Mine Downcast Shaft and the East Mine Shaft have been constructed and the foundations for the permanent head towers for all three shafts substantially completed. The main coal preparation plant building, which will ultimately be about 76 ft. high, is taking shape—with some of the concrete columns already 18 ft. above ground-level. The main Ropeway Coal Bunker structure is now virtually finished and foundations for other structures are in varying stages, that for the 2000-ton Coal Blending Bunker being well advanced.

Kleen-e-ze

INCREASED PROFITS

The Eighteenth Annual General Meeting of the Kleen-e-ze Brush Company Limited was held on Thursday, July 29, 1965, at the Company's Offices, Hanham, Bristol. **Mr H. Crook, LL.D., J.P.,** Chairman, presided and the following are extracts from his circulated Statement:—

1. Turnover of all sections was maintained;
2. Profit before provision for taxation was £289,752; an increase of £22,041;
3. A final dividend of 15 per cent (less tax) is recommended, which, with the Interim Dividend of 5 per cent (less tax) paid, makes a total of 20 per cent (less tax) for the year which is equivalent to 30 per cent (less tax) paid last year before the bonus issue was approved on September 30, 1964.

ROYSTON INDUSTRIES

LIMITED

The Annual General Meeting was held on July 29 in London.

	Capital Employed £	Group Net Profit, Loss before Tax £	Annual Rate of Dividend
Year ended 31.3.65	**4,062,000**	**573,000**	**25%**
" " 31.3.64	2,552,000	271,000	20%
" " 31/3/63	1,974,000	228,000	20%
15 months ended 31.3.62	980,000	149,000	20%
Year ended 31.12.60	397,000	*3,000 loss*	Nil

In his circulated statement, the Chairman, **Mr Eric R. Summer,** reports marked progress and expansion.

Approximately 30 per cent of the Group's turnover is attributable to export sales compared with 20 per cent for the previous year. We are selling in many parts of the world including not only the Commonwealth, Europe and the United States of America but also Russia, China, Syria and Egypt.

The Group's turnover has increased over last year's record level and whilst some companies have obviously been able to make better progress than others, all have made a contribution and most of them a substantial one.

We are progressively welding together a group of highly individual companies into the efficient team which is so essential if we are to keep ahead of our competitors in the fields of cost, quality and technical development both at home and abroad.

We have every confidence in our ability to achieve this and the current year should be one of progress both as to turnover and profitability.

A copy of the Annual Report may be obtained from the Registered Office: 24/25, New Bond Street, London, W1.

THE BRITISH THERMOSTAT COMPANY

The thirty-seventh Annual General Meeting of The British Thermostat Company Limited was held on July 29th at Sunbury-on-Thames, **Sir James Helmore, KCB, KCMG** (the chairman), presiding.

The following is an extract from his circulated Statement:

As forecast in my Statement a year ago, there was a recovery in the Group's trading profit, the final figure for the year ended January 31, 1965, being £603,106, as compared with £453,536 in the previous year. In addition, there were profits of an exceptional nature amounting to £75,500. This recovery was due to a reversal in the declining fortunes of our aircraft subsidiary together with further progress by the subsidiary engaged on the production and sale of instruments for the domestic, commercial and industrial markets.

Group turnover increased from £6,108,502 to £6,851,712. Our export sales, including those to our European distributor subsidiary companies, rose to £1,185,000 as compared with £1,052,000 in the previous year.

We recommend a final dividend of 22½ per cent less tax—the same as last year. The amount retained in the business has almost doubled as compared with the previous year. Shareholders may be interested to know that an estimate has been made of the amount which might have been retained in the business assuming a corporation tax of 40 per cent had been in force and the same dividend had been paid, in which case the amount retained would have been less by approximately £26,000.

The report was adopted.

The Economist

BINDING CASES

*Binding cases for The Economist are available from Easibind Ltd. The cases are in stiff, dark blue cloth covers, and are gilt-lettered on the spine; they provide an extremely effective and firm binding and will hold 13 issues of the normal edition together with the quarterly Index, or 26 issues of the air edition with two quarterly Indexes. The year can be stamped on the spine. The cost per case, post free throughout the world, is 14s. Orders, stating requirements clearly and enclosing a remittance, should be sent, **not** to The Economist but to—*

EASIBIND LTD. (Dept. E)

Eardley House, 4 Uxbridge Street, Kensington, London, W.8. PARK 0686 (3 lines)

WILLIAM HANCOCK & COMPANY

HIGHER SALES AND PROFITS

The seventy-eighth annual general meeting of William Hancock and Company Limited was held on July 29th in Cardiff, **Mr Joseph G. Gaskell, TD** (chairman and managing director), presiding.

The following is an extract from his circulated **statement:**

The profit for the year before charging taxation amounts to £761,401 compared with £691,001 for the previous year. Total beer sales showed an increase of just over 3 per cent. In general sales of our draught bitter beers show a considerable improvement, which is clear evidence of the excellence of our products.

After charging taxation of £373,637 compared with £346,493, the net profit shows an increase from £344,508 to £387,764. Your Board feels justified in recommending an increase in the total distribution on the Ordinary Stock from 15 per cent to 16 per cent.

Two new houses have recently commenced trading. One is the Deri Inn, Rhiwbina, Cardiff, the other is the Cadle Mill at Blaenymaes, Swansea, which is jointly owned by Worthington & Co. Limited, and the Company. It is the third property jointly owned with other Breweries.

We have plans for building a large number of new properties but, at the same time, we are likely to lose many of our old licensed houses. It seems probable that some twenty or more houses will be acquired for town planning or road improvement purposes during the next five years, and with this in mind we have kept a constant look-out for sites on which to build new houses. To date we have acquired sites for more than half our expected losses.

It is vital that new houses are built in order to maintain the volume of our trade, but the modern house, if well sited, is, in general, capable of a greater trade than the older type of house, so that a reduction in numbers need not necessarily be a serious matter.

The report was adopted.

THE LONDON ASIATIC RUBBER & PRODUCE COMPANY, LIMITED

and its Subsidiaries

ISSUED CAPITAL £2,443,401 in 2s. shares

Directors: Sir Eric Macfadyen, JP (President), John Sands, CA (Chairman), R. O. Jenkins, MC (Vice-Chairman), A. W. Porter, D. R. Mathews.

Secretaries and Agents: Harrisons & Crosfield, Limited.

Summary of Directors' Report and Accounts for year ended 31st December, 1964

PROFIT AND DIVIDEND:		£
Profit after tax		753,578
Replanting Expenditure		188,217
Dividend for year, 30 per cent		433,704
		Estimate
CROPS:	1964	1965
Rubber	34,144,439lb	36,139,500lb
Palm Oil/Kernels	5,311 tons	6,456 tons
Oil Palm Fruit	809 „	1,492 „
PLANTED ACREAGE:		
Rubber and Oil Palms		54,145 acres

Fifty-Seventh Annual General Meeting will be held on 23rd August, 1965.

CAISTER GROUP

(Holiday and Leisure Industries)

PROSPECTUS FORECASTS EXCEEDED

The 1st Annual General Meeting of the Caister Group Limited was held on Friday, July 30th at Norwich, **Mr. F. A. Watson** *(chairman) presiding. The following are salient points from his Circulated Statement.*

★ The Prospectus forecast profits of £160,000 and a dividend of 15 per cent; in the event we achieved a profit of £216,224 and paid a dividend of 22½ per cent.

★ Holiday camps have a good future but the public are demanding higher standards which your Board are determined to meet. Our chalets bear favourable comparison with any in the industry.

★ Our caravan sites have increased their contribution towards profits and we are convinced that they have a prosperous future.

★ Our motor trade companies which contributed 30 per cent of Group profits are all very old established businesses and well placed to resist any temporary recession.

★ In January we bought Herbert Woods Limited, the largest firm operating on the Norfolk Broads and we recently purchased a further fleet of 41 boats operating at Horning. The popularity of the Broads and boating is growing and your Company is well placed to play a leading part in its future.

★ From the business so far and the bookings for the rest of the Season your Company should certainly continue to progress.

LENDU RUBBER ESTATES LIMITED

The thirty-second Annual General Meeting of Lendu Rubber Estates, Limited was held on July 30th in London, **Mr F. S. Physick** (the chairman) presiding.

The following is an extract from his circulated review:

As a result of lower sale proceeds, the year's profit amounted to £19,210 compared to £22,343 in 1963. Additional receipts, including Malayan Government Replanting Grants, together with the balance brought forward from the previous year bring the total sum available to £32,018; out of which £8,974 is required to meet replanting expenditure and £6,509 is set aside for estimated taxation. A dividend of 12½ per cent (last year's 15 per cent) is recommended.

Trade investments remain in the Balance Sheet at £14,283. Their Market Value at December 31, 1964, was £26,030.

Following, however, upon the presentation of the Finance Bill, despite certain alleviations subsequently introduced, there has been a sharp decline in the market value of overseas investments, constituting a threat to the maintenance of present ownership, and this applies markedly to the rubber plantation industry. Government spokesmen frequently pay lip service to Commonwealth interests and then revoke by administering a stab in the back to development - in particular at this time—by discarding in principle the practice of double taxation relief. One would have thought that its long term continuance, as between Commonwealth countries at any rate, is eminently desirable objectively to encourage intra-Commonwealth trade and investment. Thereby to contribute towards binding the parts together in mutual self interest creating what could be a well founded sense of partnership.

In so far as concerns the plantation industry there is no drain upon balance of payment difficulties. In fact the position is quite the reverse. This has been demonstrated beyond dispute. And the same applies to the great majority of other UK investments in Malaya. If then suitable arrangements can be agreed upon to enable these activities to continue, substantial benefits will accrue, as in the past, alike to the UK and to Malaysia. Marginal relief (short term) is however of little avail since the projects in hand and those previously contemplated are long term ventures.

The report was adopted.

Carrington and Dewhurst Group LIMITED

VIGOROUS, BALANCED EXPANSION

Points from the Review of the Chairman, **Mr H. M. F. Carrington, TD, CC,** *presented at the Annual General Meeting in Manchester on July 29, 1965:*

The company is now one of the Big Four of the United Kingdom textile industry. Its vigorous and rapid expansion has been closely controlled to achieve the all-important objective of creating a well-balanced and highly integrated textile organisation.

The group is now the largest manufacturer in Europe of cloth woven from man-made continuous filament fibres.

★

The core of the business continues to be the weaving operation as reinforced by the addition of the capacity and trading connections of Hindley Brothers (Holdings) Limited. The combined annual output will be of the order of 135 million square yards of woven cloth.

The position of the group in the bulked yard field has been strengthened by the acquisition of William Tatton & Company Limited, one of Britain's largest producers of bulked yarns. The success of "Crimplene," an outstanding yarn in this field, is continuing.

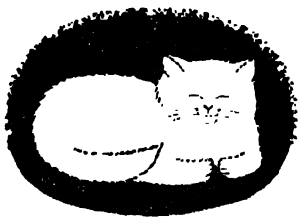
In three years the group's exports have been increased by 400 per cent to £3 million.

The Group now has important interests in the main sections of the textile industry. It will continue to develop and expand these, and it will be prepared to introduce others as it sees the opportunity for growth.

★

The present members of the group effectively increased their profits in the year to April 3, 1965, by 64 per cent to £3,353,023. Turnover was £34.4 million.

The directors see no reason to alter the view expressed in their circular letter of February 24, 1965, which said that the group's current earnings were running at an annual rate in excess of £3,500,000 and that by April 2, 1966, further improvement should be shown on this figure. They still expect that the increased total dividend of 17½ per cent on the Ordinary shares can be maintained.



'COALITE' and Chemical Products Ltd.

The following points are taken from the Statement by the Chairman, Commander Colin Buist, to the 48th Annual General Meeting of the Company:

★ New records in Production, Sales and Profits were achieved. Sales of 'Coalite' increased by 20% and the demand for Oils and Chemicals kept pace.

★ Profits after Depreciation and before Taxation totalled £1,788,019 compared with £1,375,897. The total dividend of 18% compares with 16% for the previous year.

★ Work has started on the building of a large new 'Coalite' Works at Grimethorpe in Yorkshire and satisfactory arrangements have been made with the National Coal Board for the supply of coal on a long term basis.

★ Capital expenditure outstanding at 31st March, 1965 was £296,000. Since then, a further £3,560,000 has been authorised, mostly for the new Works at Grimethorpe and an addition of £950,000 is anticipated before the end of the summer. The Board has under consideration the method of raising the money required over and above that available from normal cash flow.

★ The decision to build a new 'Coalite' Works is an indication of our confidence in the future.

EURAFREP

Annual General Meeting, June 28th

The Annual General Meeting of Eurafrep was held in Paris on June 28th; the following are extracts from the Report and Statement of the chairman, **Monsieur René MAYER.**

The sum of Frs. 18.69m. was set aside for depreciation compared with Frs. 11.46m. for 1963. The profit and loss statement was balanced after royalty payments of Frs. 3.33m.

Oil output, in 1964, was 423,000 tons compared to 262,400 tons in 1963. For the first five months of 1965, it totalled 196,500 tons against 136,000 tons during the same period of 1964. Once again, the production came entirely from Algerian Sahara.

The inadequacy of common pipe-line facilities to the sea still restricts Eurafrep's full production. The Company's potential is at present 1.2 million tons/year. The new pipe-line, which belongs to Sonatrach (a state owned Algerian company), when completed, will help to relieve Eurafrep and other oil producing companies from the present bottleneck, provided a satisfactory agreement can be reached between the interested parties.

The development of existing Saharan oil fields has been continued as well as exploration work in the Sahara, Spain, Surinam, French Guiana and the North Sea.

GEGR·1869

BAYERISCHE VEREINSBANK

MUNICH · NUREMBERG

Condensed Statement of Condition June 30, 1965

ASSETS

	in 1000 DM
Cash	39,207
Balances at Deutsche Bank	218,664
Balances on Postal Cheque Account	3,957
Balances at Credit Institutions (due from Banks)	165,086
Matured Bonds, Interest and Dividend Coupons	2,643
Uncleared Cheques on other Banks	14,167
Bills of Exchange	366,267
Treasury Bills and Non-Interest-Bearing Treasury Bonds	76,527
Medium-Term Bonds and Notes	28,679
Securities	277,180
Own Mortgage and Other Bonds	19,897
Equalisation and Covering Claims on the Federal and State Governments	108,177
Holdings in Syndicates	104,187
Debtors	1,153,680
Long-Term Lendings of the Banking Department	246,672
Long-Term Lendings of the Mortgage Department	2,422,735
Loans on a Trust Basis at Third Party Risk	48,633
Participations	79,631
Bank Premises	42,368
Other Real Estate and Buildings	4,738
Office Furniture and Equipment	--
Own Shares	—
Other Assets	61,238
	5,484,133

LIABILITIES

		in 1000 DM
Deposits		2,369,127
thereof		
a) Sight Deposits	764,401	
b) Time Deposits	740,383	
c) Saving Deposits	864,343	
Borrowed Funds		2,538
Own Acceptances		5,065
Loans taken at Long Term by the Banking Departm		200,489
Loans taken at Long Term by the Mortgage Departi		45,667
Mortgage and Communal Bonds in Circulation		2,395,112
Loans on a Trust Basis at Third Party Risk		48,633
Capital		90,000
Reserves (Legal and Free)		136,000
Pensions Reserve		40,949
Other Reserves for Special Purposes		36,287
Value Adjustments (unless set off on other items)		1,700
Other Liabilities		112,566
		5,484,133

Own Drawings in Circulation	--
Liabilities arising from Guarantees, including Guarantees of Bills and Cheques, and from Indemnity Agreements	142,691
Indorsement Liabilities on Bills of Exchange in Circulation	40,233

Board of Management: Wilhelm tom Dieck, Munich; Albin Hartlig, Munich; Jürgen von Köller, Munich; Dr. Werner Premauer, Munich; Dr. German Schweiger, Nuremberg, Dr. Franz Steffan, Munich; Dr. Werner Teichmann, Munich; Dr. Hans Christoph Freiherr von Tucher, Munich; Elmar Warning, Munich. Deputies: Dr. Max Hackl, Munich; Dr. Peter Pfeiffer, Munich; Dr. Heribert Strobel, Munich

Board of Directors: Dr. Ludwig Mellinger, Munich, Chairman; Dr. Hans-Helmut Kuhnke, Duisburg, Vice-Chairman; Friedrich Freiherr von Teuchert, Munich, Vice-Chairman.

SAMUEL'S

H. SAMUEL, LTD.

Britain's Largest Jewellers

Extracts from the Statement by the Chairman, Mr. Gilbert H. Edgar, C.B.E. to Shareholders at the 48th Annual General Meeting on 3rd August.

HS 1964/5 results constitute a record for the seventh consecutive year.

	1964	1965
Profit before Tax	£1,280,950	**£1,533,874**
Tax	£699,675	**£872,165**
Profit after Tax	£581,275	**£661,709**

HS The expansion of the business continues, new Branches have been opened as far apart as Elgin in Morayshire and Wrexham in N. Wales. Further growth is expected this year in Yorkshire, Berkshire and Scotland.

HS Current trading conditions are satisfactory and compare favourably with the first half of last year. The Company invites enquiries from Owners of successful businesses and applications from men who would like to join the Group.

The full report may be obtained from The Secretary, Hunters Road, Birmingham 19.

Guide to Weights and Measures

The Economist

This Guide was compiled by the Statistical Department of The Economist for use within our own office: it was decided to publish it as a book to serve a wider public. The Guide has now been out of print for some years but requests for copies still come in. It has therefore been decided to revise and extend the Guide and to publish a second and up-to-date edition.

In 96 pages it provides facts and figures on the weights and measures of the world. For the most widely used units, tables of equivalents are given; for units that are used only in certain countries and trades, conversion factors are given.

The Guide, price 17/6d. (U.S. $2.45) post free for cash with order, is obtainable from:

Publications Department, The Economist, 25 St. James's Street, London, S.W.1.

APPOINTMENTS

for further announcements see pages 566, 567 and 568

Certificate of Trade Mark applied for by the IWS Nominee Company Ltd.
PURE NEW wool

MARKET RESEARCH MANAGER

Applications are invited from men or women for the position of Market Research Manager in the United Kingdom Branch of the International Wool Secretariat.

This is a newly-created post and the successful candidate will be responsible for the provision of economic and marketing information for a continuous and growing national promotion campaign.

Work will include the application of new techniques for the solution of marketing problems. Candidates should possess a degree in Economics with Statistics and several years' experience in the application of economics and statistical methods to marketing problems.

Salary will be competitive and fully commensurate with qualifications and experience.

Applications, giving full details of qualifications and experience and stating age, nationality and present position, should be sent to the Director of the United Kingdom Branch, International Wool Secretariat, Wool House, Carlton Gardens, S.W.1. with the envelope marked Confidential MRM. 5

University of New England

Armidale, New South Wales

Senior Lecturer/Lecturer in Economic History

Applications are invited for the above position. The Department would welcome candidates with interests in one or more of the following areas: Australia, Japan, India, United States of America or England. The Department of Economics supervises students for the M.Ec. and Ph.D. degrees and teaches courses leading to the B.Ec. degree (at both the pass and honours level). The majority of these courses are also taken by students in the Faculties of Arts and Agricultural Economics. Academic staff are expected to engage in research and grants are available to assist the research of individual members of the Department.

Provision is made for travel and removal expenses incurred in taking up an appointment, superannuation benefits and staff housing loans. Academic staff are also entitled to travel grants and full salary for study leave.

Salaries are as follow: Senior Lecturer, £A3,200 x £A100—£A3,800; Lecturer, £A2,400 x £A110—£A3,170.

Further information may be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in Australia and London, on *September 6, 1965.*

Senior Economist (Trade)

Tanzania

To advise the Government on marketing matters generally, and particularly in relation to the Development Plan.

Applicants (preferably under 50) should normally be nationals of the U.K. or Eire; they should be graduates in Economics or a related subject and have considerable experience in international trade matters; knowledge of the economics of underdeveloped countries very desirable.

Salary in scale £2,814-£3,600 p.a. according to experience plus 25 per cent. terminal gratuity. Contract for one tour of 21-27 months. Free family passages and medical attention. Generous leave. Education allowances.

Please apply for further details to:

Appointments Officer,
MINISTRY OF OVERSEAS DEVELOPMENT,
Room 301, Eland House,
Stag Place, London, S.W 1.

giving full name, age, brief details of qualifications and experience, and quoting Ref. RC236/173/07.

Ministry of Technology

WARREN SPRING LABORATORY,
Stevenage, Herts.

SCIENTIFIC OFFICERS SENIOR

SCIENTIFIC OFFICERS required:

(1) For work on the analysis of U.K. Air Pollution data from over 1,000 daily sampling instruments. Wide range of work as data is correlated with that from meteorological, sociological and epidemiological sources.

(Ref.: E AN 050)

(2) To assist in Information and Intelligence Section on the economic appraisal and formulation of new and existing research programmes and in appraisal of research with respect to patentable inventions; also to advise laboratory staff generally on statistical experimental design, and analysis of laboratory and pilot scale experiments.

(Ref.: E/AN/061.)

QUALIFICATIONS: 1st or 2nd class honours degree, Dip. Tech., or equivalent or higher qualification in appropriate subject and, for S.S.O., at least three years' post-graduate experience. For (1) two or three years' experience in statistical methods and good knowledge of computer techniques necessary.

SALARY:

S.O. £805-£1,521;
S.S.O. (minimum age 26) £1,685-£2,082.

ASSISTANT EXPERIMENTAL OFFICER/EXPERIMENTAL OFFICER required to assist in the economic evaluation of new processes under development at the Laboratory, mainly in the field of chemical engineering.

(Ref.: E/AN/062.)

QUALIFICATIONS: Degree, Dip. Tech., H.N.C., or equivalent, in engineering or science, e.g., chemistry, chemical engineering or mathematics, and relevant experience in the chemical processing industries preferred. Interest in data processing or economics desirable. Under 22, minimum qualification is two G.C.E. "A" levels in Science and/or Maths. subjects.

SALARY:

A.E.O. £849 (at 18)-£770 (at 22)-£983 (at 26 or over)-£1,201;
E.O. (minimum age 20) £1,319-£1,675.

APPLICATION FORMS from the Director at the above address quoting appropriate reference. Closing date in each case August 23, 1965.
(16)

University College of Wales, Aberystwyth

Applications are invited for the post of Research Assistant or Junior Research Officer in the Faculty of Economic and Social Studies to work with Professor L. W. Martin on an enquiry into "The place of the sea in modern strategy." Salary according to qualifications and experience:

Research Assistant £600 per annum.
Junior Research Officer £750 x £50—£950.

Applications with the names of two referees should be sent to the Registrar not later than the 29th August, 1965.

The Proposed University of Bradford

(BRADFORD INSTITUTE OF TECHNOLOGY)

Management & Administration

The Department has a vacancy for a Research Assistant interested in the application of economics to business problems. Applicants should have a good honours degree in economics. Statistics as a subsidiary subject is essential and some knowledge of accountancy desirable. Candidates graduating this year will be considered. Initial salary according to qualifications and experience in the scale £750 to £1,350.

Further particulars may be obtained from the Registrar, Ref. 121Y M, Bradford Institute of Technology, Bradford 7.

BBC RUSSIAN SECTION invites applications for post of PROGRAMME ASSISTANT in London. Candidates, who must be not more than 40 years of age, may be either native Russian speakers with a good command of English, or British nationals with ability to write and speak good Russian. Duties include preparation and broadcasting in Russian to the Soviet Union of programmes dealing both with international affairs and with all aspects of life in Britain. Candidates must have ability to translate quickly and accurately into their native language, an acceptable microphone voice, keen interest in current affairs and be aware of present conditions inside the Soviet Union, preferably from recent personal experience. Journalistic or writing experience and ability to type in Russian and English an advantage. Selected candidates will be required to undergo spoken, translation and short written tests. Non-British subjects with Russian as mother tongue: appointment normally for three years. Starting salary £1,444 per annum rising after satisfactory probationary period (six months) to £1,685, and after 18 months, subject to attaining satisfactory standard of efficiency, to £1,909. There are prospects of further extension and promotion. For those resident outside the United Kingdom passage to London paid by BBC, settling-in grants totalling £100 and family passages after satisfactory probation. British subjects: long term appointment; starting salary £1,570 per annum rising by annual increments of £90. Prospects of further promotion after two years' fully satisfactory service, to scale rising to £2,270 maximum. Fares paid to London if resident outside the United Kingdom. Higher starting salaries possible if qualifications exceptional. Write for application forms (enclosing addressed envelope and quoting reference 65/3,918/Ret.) to Appointments Department, BBC, London, W 1, within five days.

Mathematicians and Statisticians

A leading firm of transport consultants requires mathematicians and statisticians. Applicants should have a good Honours degree and either be recent graduates or have up to three years' post-graduate experience. Persons with degrees in related subjects will be considered if they have a good mathematical background.

Successful applicants will have the opportunity to work on new research techniques currently under development. Large-scale computer facilities are available.

Attractive salaries are offered with good prospects for advancement. Please reply to the address below, giving a summary of education and experience and other relevant details.

Freeman Fox, Wilbur Smith & Associates, 118 Westminster Bridge Road, London, S.E.1.

SUBSCRIPTIONS TO The Economist

Annual Postal Subscription by ordinary mail, UK £6; overseas £6 10s. By air see below

Subscriptions to many countries can be sent either by direct second-class airmail or in bulk by air freight for onward posting from central distribution points. Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

	Airmail	Air Freight
Australia ..	£13 10s.	—
Canada:—		
Quebec & Ontario Provs.	£12 10s. or Can. $38	£9 15s. or Can. $30
Other Provs.	£12 10s. or Can. $38	£10 10s. or Can. $31·80
Ceylon	£12 10s.	£10 0s.
China	£13 10s.	—
East Africa .	£12 10s.	£10 0s.
Egypt.....	£11 0s.	—
Europe	£10 0s.	—

	Airmail	Air Freight
Ghana	£12 10s.	£9 10s.
Gibraltar, Malta....	£7 5s.	—
Hongkong .	—	£12 10s.
India	£12 10s.	£10 0s.
Indonesia ..	£12 10s.	—
Iran & Iraq .	£11 0s.	£9 10s.
Israel	£11 0s.	£9 10s.
Japan	£13 10s.	—
Jordan	£11 0s.	—
Lebanon ...	£11 0s.	£9 0s.
Malaya.....	£12 10s.	—
N. Zealand.	£13 10s.	—

	Airmail	Air Freight
Nigeria	£12 10s.	£9 10s.
Pakistan....	£12 10s.	—
Philippines .	£13 10s.	—
Rhodesia...	£12 10s.	—
S. Africa ...	£12 10s.	£10 0s.
South and Central America .	£12 10s.	—
Sudan	£11 0s.	£9 10s.
USA	£12 10s. or $35	£10 10s. or $29·50
W. Indies ..	£12 10s.	—

BANK OFFICERS

GET OUT OF THE RUT!

Career appointments overseas are available to bankers of 20 to 35 years of age. Applicants up to age 25 should be single men and have completed at least Part I of the Institute of Bankers' Examination. Marriage is not a bar to older men, but they should have completed (or be in process of completing) Part 2 of the Institute Examination. These are career appointments with excellent prospects. The younger age group commences service in West Africa with emoluments normally in the region of £1,300 p.a. Salaries of older men are higher and will be considered at interview

- ★ Free furnished quarters overseas
- ★ First-class non-contributory Pension Scheme and retirement at age 55.
- ★ Eighteen-month tours with 108 days' leave between each tour. £100 kit allowance on appointment. Free medical attention overseas (though our health record is excellent). Free travel.

Interviews arranged in London.

Write, giving full particulars, to: The Secretary,

BANK OF WEST AFRICA LIMITED,
37 Gracechurch Street London, E.C.3

EXPORT/OVERSEAS OPERATIONS

Senior marketing EXECUTIVE, major international group, forty, university economics - trained, multilingual, nine years' overseas experience Europe / South America, interested contact British or U.S. company now recruiting for initial or expanded exports / overseas operations.—Write Box 901, Reynell's, 88-90 Chancery Lane, W.C.2.

Director-General

United Nations Association

Applications are invited for the post of Director-General to take up duty as soon as possible after September 13th. Candidates should have deep concern for the success of the United Nations, knowledge of international affairs and the capacity to direct and inspire a large voluntary organisation. Salary not less than £2,500 p.a. and there is a pension scheme. Further particulars and application form (returnable by August 16th) from UNA, 93 Albert Embankment, London, S.E.1.

PERSONNEL REQUIRED

for the

TURKISH MANAGEMENT DEVELOPMENT CENTRE

A Management Development Centre is being established in Istanbul, in co-operation with a number of international institutions.

The Centre will train men to be Management Consultants and to conduct management training courses.

Applications are invited from men who wish to become management consultants for this organisation.

Essential requirements are:

- Age 30-45 years.
- University Degree.
- Very good knowledge of Turkish and a foreign language (order of preference: English, German, French)
- Completed Military Service.
- At least five years' industrial and commercial experience at a senior level of responsibility

Selected applicants will be sent to the United Kingdom for training for 4/5 months.

Please address written applications to the:

Turkish Management Association,
Erk Apt. 14/8,
Cumhuriyet Caddesi,
Elmadag,
Istanbul — TURKEY

quoting reference TMD/2124 on the envelope and letter.

University of Victoria

Victoria, British Columbia, Canada

Applications are invited from Economists interested in either of the following appointments, which are to date from July 1, 1966.

Professor (or Associate Professor) of Economics, preferably an Econometrician; to offer some undergraduate courses and to assist in planning a graduate programme;

Assistant Professor, preferably someone whose primary interest is in Public Finance

The present salary minima are $13,000, $10,000 and $7,600. Fringe benefits include a generous pension scheme, sickness benefits, life and disability insurance. Assistance with removal expenses is provided. Appointees will not be required to report until September 1, 1966

Applications, with relevant information, should be directed to the Head, Department of Economics and Political Science, University of Victoria, Victoria, British Columbia

Training in MUNICIPAL ACCOUNTANCY for a UNIVERSITY GRADUATE

The Borough Treasurer of the London Borough of Greenwich offers to a university graduate training within his department, which will lead to qualification as a Chartered Municipal Treasurer. This post is eminently suitable for a graduate in Economics, Commerce or Administration, who would obtain exemption from part of the examinations of the Institute of Municipal Treasurers and Accountants. The salary will start at £920 a year and rise on this salary scale to £1,125; to this will be added a London allowance of £50 or £75, according to age. Prospects of advancing beyond the starting salary scale will be excellent.

Please send full personal details to F. Hewlett, Borough Treasurer, 45-53 Wellington Street, S.E.18.

CRAIGAVON DEVELOPMENT COMMISSION

NEW CITY IN NORTHERN IRELAND

GENERAL MANAGER

The Chairman-Designate of the Craigavon Development Commission invites applications for the post of General Manager for the new city of Craigavon in Northern Ireland which is to have a population of 100,000 by 1981 (existing population in the area about 40,000) and a growth capacity beyond this to around 150,000. An outline plan for the creation of the new city has already been prepared by a multiprofessional group who have been engaged on the project on a whole-time salaried basis since 1963. This plan proposes a linear framework for development. The project will be carried out in pursuance of powers in the New Towns Act (Northern Ireland) 1965 and the New Town Designation Order (Northern Ireland) 1965 made on the 9th July, 1965.

The salary for the post of General Manager will be within range £4,525-£5,400 according to experience and qualifications.

This project will entail public and private investment over the next 15 years of something like £140 million of which about £100 million will be public expenditure. The Commission are therefore seeking the services of a man well experienced in management and familiar with large scale operations.

LEGAL OFFICER

Applications are also invited for the post of Legal Officer. Applicants should be solicitors qualified to practise in Northern Ireland, preferably with experience in the field of public administration or commerce. The salary for this post will be in the range £3,050-£3,900 according to qualifications and experience.

FINANCE OFFICER

Applications are also invited for the post of Finance Officer. Applicants should be qualified accountants preferably with experience in the field of public administration or commerce. The salary for this post will be in the range £3,050-£3,900 according to qualifications and experience.

Applications for these appointments should be made to Mr. S. J. McMahon, Chairman-Designate of the Commission, c/o Ministry of Development, Stormont, Belfast 4, to arrive not later than AUGUST 27, 1965. Applications should give full details of age, education, qualifications, career and present position and salary together with the names and addresses of three referees (testimonials not required).

Assistance can be given with housing and with removal expenses from Great Britain. Contributory superannuation arrangements are available under which existing superannuation rights may be preserved.

MARKET RESEARCH

British European Airways wish to appoint a Passenger Research Officer in the Market Research branch at West London Air Terminal. He will assist with the collection and analysis of passenger traffic and sales statistics and other market information relating to present and potential routes, with comparison to previous results, surface transport and other airlines. The dissemination [illegible] of traffic and sales forecasts and the constant review of results for executive action.

The successful candidate will have had a good general education possibly to University standard preferably with an Economics or equivalent degree, with specialist training and experience in market research, and the ability to prepare clear and concise reports in written, tabular or graphical form.

The post is permanent, pensionable and offers a commencing salary £1,266 p.a. rising ultimately to £1,907 p.a. with excellent staff facilities.

BEA

Apply to Personnel Officer.
Central and West London (E).
BRITISH EUROPEAN AIRWAYS.
West London Air Terminal.
Cromwell Road, London. S.W.7.

BRITISH IRON AND STEEL FEDERATION

ASHORNE HILL

Three members of Directing Staff

Ashorne Hill, the Management College of the British Iron and Steel Federation, exists to serve the 8,000 men who manage the 260 companies which make up the British steel industry.

The College, situated between Warwick and Stratford-upon Avon, provides short conferences for directors and top executives, five- and nine-week management courses for senior and departmental managers, and a wide range of specialist courses; and is also undertaking a major programme of research into management activities in the steel industry.

Continuing growth means that three additional members of directing staff are required, both for teaching and for developing further courses, particularly in new management techniques. The posts offer considerable intellectual challenge for men able to make an expert contribution in their own specialised fields, who are also willing to help in other areas of the College's work.

Applications are invited from graduates in the social sciences (especially economics or industrial relations), men with experience of systems analysis or operational research, or qualified accountants between the ages of 25 and 40. University research or teaching experience would be a recommendation.

Pay and conditions of work approximate to those in a University.

Fuller information can be obtained from:

The Principal, BISF Management College
Ashorne Hill, Nr. Leamington Spa, Warwickshire

to whom applications should be addressed within 21 days.

Nottinghamshire County Council

County Planning Department

PLANNING ASSISTANT required in the Development Plan Section for work concerned mainly with the social and educational provisions in the review of the Plan.

Applicants should hold University Degree in appropriate subject and preferably have experience in a planning office.

Salary within APT Grades I-III £735 to £1,140 per annum commencing according to qualifications and experience. 50 per cent removal expenses paid in approved case.

Full particulars including names and addresses of two referees to County Director of Planning, County Hall, West Bridgford, Nottingham, by August 23, 1965.

A. R. DAVIS,
Clerk of the County Council

Applications are invited from British subjects for three posts as Programme Assistants in the BULGARIAN, RUMANIAN and YUGOSLAV Sections of the BBC's East European Service, based at Bush House, Aldwych, London, W.C.2. Essential qualifications: English as mother tongue, sufficient knowledge of Bulgarian, Rumanian or Serbo-Croat to be able, with practice, to read at the microphone in these languages; ability to write and edit, in English, for translation into the particular language talks and feature programmes, often against time; knowledge of current affairs and an informed interest in contemporary developments in Great Britain. Desirable qualifications: journalistic or radio experience and ability to type, awareness of problems and interests of listeners in the country concerned, and interest in radio as a means of communication. The work involves shift hours, and selected candidates will be required to pass voice and translation tests in the language offered. Starting salary £1,370 (may be higher if qualifications exceptional), rising by annual increments of £90 and progressing after two years' satisfactory service to £1,795 x £95 to £2,270 max. p.a. Write for application form (enclosing addressed envelope and quoting reference 65.G.500.Ect.) to Appointments Department, BBC, London W.1 within five days.

University of Malaya

Department of Economics

Applications are invited for appointment as LECTURER/ASSISTANT LECTURER IN THE DEPARTMENT OF ECONOMICS.

Candidates should have at least a good Honours Degree with suitable research or teaching experience. Candidates specialising in Economic Theory, Public Finance, Social Accounting or Economic Planning would be given preference.

Salary scale (approximate sterling equivalent):

Lecturer, £1,358 x £56—£1,624/£1,680 x £63—£1,908 per annum;

Assistant Lecturer, £1,120 x £56—£1,232 per annum.

In addition, the following allowances are payable:

Variable allowance: 35 per cent. of basic salary, subject to certain maxima depending on marital status: Minimum £210 per annum, maximum £560 per annum.

Inducement allowance (if awarded), varies:
(a) For Lecturers up to £420 per annum;
(b) For Assistant Lecturers, up to £280 per annum.

Housing will be provided, if available, for which a rent of £117 to £175 per annum will be charged.

Provident Fund: Staff member contributes 5 per cent. and University 15 per cent. of basic salary.

Further particulars and application forms are obtainable from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

The closing date for the receipt of applications in Kuala Lumpur and London is *September 4, 1965.*

COURSES

Coventry Education Committee

The Technical College, Butts, Coventry

Principal: R. A. Aleulue, B.Sc.(Eng.)(Hons.) A.M.I.Mech.E.

Session 1965-66

Work Study

10 week full-time courses leading to:
The City & Guilds Certificate in Work Study
The Work Study & Industrial Engineering Certificate.

8 week full-time Basic Training courses
COMMENCING DATES:
Monday, October 4, 1965
Monday, January 24, 1966

1 week full-time Appreciation courses for Apprentices in their final year of study.
COMMENCING DATES:
Monday, September 27, and December 13, 1965
Monday, January 10, April 11, June 6, 1966

Theoretical instruction is accompanied by practical work to be performed by the student himself and use is made of a well-equipped work study laboratory.

Mechanical and Production Engineering workshops are also available.

Full particulars obtainable from Head of Department of Business and General Studies

Newport & Monmouthshire College of Technology

ALLT-YR-YN AVENUE, NEWPORT, MON

Applications are invited for the following courses which start in September, 1965

H. N. D. Business Studies

A two year full time course with an entry qualification of EITHER One G.C.E. 'A' level subject OR an O.N.C./D. Business Studies.

Diploma in Business Planning and Control

A four year sandwich course with an entry qualification of EITHER Two G.C.E. "A" level subjects one of which is Mathematics, OR an O.N.C./D. Business Studies with Statistics.

Further particulars and application forms may be obtained from the College Registrar.

Home Study Courses B.Sc. (Econ.) LL.B.

and other external degrees of the University of London. Also Accountancy, Secretaryship, Law, Costing, Banking, Insurance, Marketing, G.C.E., and many (non-exam) courses in business subjects including new Stockbrokers and Stockjobbers courses.

Write today for details or advice, stating subjects in which interested, to

Metropolitan College

(Dept. G9/2), St. Albans,
or call at 30 Queen Victoria Street,
London, E.C.4. City 6874
(Founded 1910.)

Tuition at Home

Wolsey Hall (Est. 1894) provides successful courses for G.C.E. (all Examining Boards) and for London University External B.Sc. Econ., B.A., B.D., B.Sc., LL.B. Degrees, also Diplomas and Certificates. 1,931 W. Hall students passed B.Sc. Econ. since 19… Tuition also for Law, Statistical, Secretarial and other Professional Exams., R.S.A. Moderate fees, instalments if desired. Prospectus from E. W. Shaw Fletcher, C.B.E., LL.B., Principal, Dept. P.1.

Wolsey Hall, Oxford

FINANCIAL NOTICE

The Hudson's Bay Oil and Gas Company Limited

Hudson's Bay Oil and Gas Company Limited had net earnings of $6,762,000 or 37 cents per share for the first half of 1965, a 9.3 per cent. increase over the $6,184,000 or 34 cents per share earned in the comparable period of 1964. Net cash income for the half was $14,645,000 or 80 cents per share, a gain of 9.1 per cent. over the cash generation of $13,427,000 or 73 cents per share for the same period last year. Mr. L. J. Richards, President, said net earnings for the second quarter were $3,487,000 or 19 cents per share, an increase of $31,000 or 0.9 per cent. compared with earnings for the same period of 1964. Net cash income at $6,834,000 or 37 cents per share, was up 3.9 per cent. Mr. Richards stated that the most noteworthy discoveries during the quarter were two oil discoveries in the Nipisi area of Alberta and one gas and two oil discoveries in the Peejay area of British Columbia.

LECTURES

The British Association

7th year **GRANADA** LECTURES 1965

Oct. 12. Dr. J. B. Rhine
'E.S.P.—What can we make of it?'
Chairman, J. B. Priestley

Oct. 13. Alistair Cooke
'The Camel Driver and the Transistor' The consequences of mass communication.
Chairman, Cecil King.

Oct. 27. Vice-Admiral Hyman G. Rickover. U.S.N.
'A Humanistic Technology'
Chairman, Sir Solly Zuckerman.

Information and tickets from
GRANADA TELEVISION
36 Golden Square, London W.1

COMPANY NOTICE

NAUTAMIX N.V.

of Haarlem, Holland,

the owners of United Kingdom Patents 599,900 and 843,811

(covering the mixers sold in the United Kingdom by Nautamix (U.K.) Ltd., under the trade names Nautamixer and Nauta Combimixer)

Hereby notify the Trade that they have commenced proceedings in the High Court of Justice in England against W. J. Jenkins & Co. Ltd., of Beehive Works, Retford, Nottingham, for infringement of the above mentioned letters patent, claiming an injunction to restrain W. J. Jenkins & Co. Ltd., whether acting by their directors, officers, servants, agents or howsoever from infringing such letters patent, an enquiry as to damages and payment of the sum found due or an account of profits, an order for delivery up or destruction upon oath of all articles in the possession of W. J. Jenkins & Co. Ltd., or under their control or power which are made in infringement of the said patents, costs and further or other relief.

Dated this 23rd day of July, 1965.

NAUTAMIX N.V.

BETTER GRAPES FOR VINTAGE

Only connoisseurs can tell the vintage of wines, but when it comes to banking services, people unanimously agree that the Sanwa Bank's are the most dependable. And the worldwide network of branches and correspondents of your Sanwa Bank are always ready to serve your multiple banking requirements.

SANWA BANK

HEAD OFFICE: OSAKA, JAPAN
196 BRANCHES IN JAPAN

Overseas Offices:
New York Agency: 1 Chase Manhattan Plaza, New York, N.Y., U.S.A.
San Francisco Branch: 465 California St., San Francisco, California, U.S.A.
London Branch: Garrard House, 31-45 Gresham St., London, E.C.2, England
Hong Kong Branch: 259-265, Des Voeux Road, Central, Hong Kong

STOCKHOLMS ENSKILDA BANK

ESTABLISHED 1856

AT YOUR SERVICE

FOR EVERY KIND OF BANKING BUSINESS

The Mitsubishi man— your trusted adviser in Japan

Mitsubishi Bank, serving the international business community for 85 years with correspondents around the world.

MITSUBISHI BANK

Head Office: Tokyo, Japan. **Cable Address:** BANKMITSUBISHI **New York Agency:** 120 Broadway, New York 5, N.Y. **Los Angeles Agency:** 626 South Spring St., Los Angeles 14, Cal. **London Branch:** 7 Birchin Lane, London, E.C.3. Correspondent banks located around the world.

1966 outlook

Last Fall, our 1965 U.S. Business and Industry Outlooks correctly anticipated a continuation of the plant and equipment spending boom, but a deceleration in business activity and corporate profits; probable major break in stock prices; further pressure on U.S. balance of payments and emerging inflationary pressure; tighter monetary policy and higher interest rates . . .

You can obtain from us personal and confidential forecasts of consumption, investment and government spending and other allied indicators for the U.S. and Canadian economies.

For over thirty years corporate and financial executives have made profitable application of these carefully researched reports. You could find our work extremely valuable in the period ahead.

For further details on how you can obtain our reports on the Outlook for 1966, kindly write or cable.

Currently serving a number of the world's largest corporations.

YEAR 32nd — WORLD-WIDE SERVICE

J. CARVEL LANGE INC.

Subsidiary of Industrial Commodity Corporation

122 East 42nd Street **New York N.Y. 10017**
Cable Address: ECONOGRAM Code: ACME

SAVE WITH COMPLETE CONFIDENCE

THE HIGHEST RATE CONSISTANT WITH **SAFETY**

• perfect record of safety • depositors in 107 countries • no Bahama taxes • special confidential accounts • U.S. dollars and sterling accounts.

Dollar deposits earn interest and are repaid in dollars

6% ON SAVINGS ACCOUNTS SAVE BY MAIL

Interest paid quarterly

BAHAMAS SAVINGS AND LOAN ASSOCIATION, LTD.
P.O. Box 69, Rawson Square, Nassau, Bahamas

☐ Send more information:

Name.....
Address.....
City..... Country
Amount Enclosed.....

INTERNATIONAL TEXTILE TRADE FAIR

from September 18th to 27th, 1965

BUSTO ARSIZIO (Varese) Italy

The Italian exhibition which is the most complete one of Europe for the following sectors:

Natural Fibres
Artificial Fibres
Synthetic Fibres
Textile Machinery and Appliances
Textile Accessories and Automation
Chemical products for the Textile Industry

Information:

Mostra Internazionale del Tessile,
Palazzo delle Esposizioni,
21, Viale Borri,
BUSTO ARSIZIO (Varese) Italy

Phones: 34378—35229—34287 (34508)

Promoting the Continued Growth of Japanese Industry

Japan's remarkable economic growth has been greatly helped by the Long-Term Credit Bank of Japan. Since its establishment, the bank has been making long-term loans to various important enterprises with funds raised through the issuance of bank debentures. The bank also engages in foreign business, with emphasis on the introduction of foreign capital.
As a long-term financing specialist, the bank will play an increasingly vital role in Japan's industrial future.

THE LONG-TERM CREDIT BANK OF JAPAN LTD.

(Nippon Choki Shin-yo Ginko)

Head Office: Otemachi, Tokyo, Japan
New York Representative Office:
20 Exchange Place, New York, N.Y. 10005

NKB YOUR COMMERCIAL BANK ON THE SCENE

The name KANGYO means promotion of commerce and industry. Nippon Kangyo Bank has continued to do just that since its foundation in 1897. Its long tradition and vast experience have yielded a smooth flow of trade between European countries and Japan. In your trade transactions with Japan, turn to NKB, Japan's representative commercial bank with a worldwide network of correspondents. You will be guaranteed efficient, expert and courteous banking service.

Japan's Commercial Bank

NIPPON KANGYO BANK

HEAD OFFICE: Hibiya, Tokyo. DOMESTIC OFFICES: Over 130 branches throughout Japan. LONDON BRANCH: 22, Wood Street, London, E.C.2, England. Tel: MONarch 3562/6. Telex: 263459 LDN. NEW YORK AGENCY: 40 Wall Street, New York 5, N.Y., U.S.A. TAIPEI BRANCH: 35 Po-Ai Road, Taipei, Taiwan.

We help exporters

Selling overseas presents many problems. Knowing this, Martins Bank make their world-wide contacts and experience available to their customers.
You would naturally expect your Bank to give advice about finance, and to deal in foreign currencies and handle documentary credits and bills. But Martins Bank do much more than this.

They provide reports on conditions in overseas markets prepared individually in response to specific enquiries.

They obtain from abroad names of those interested in importing and acting as selling agents.

They obtain reports on the standing of concerns overseas.

They provide introductions to correspondents overseas who will help the travelling business man.

Our book "The World Is Your Market" contains much useful information for exporters. You can obtain a copy, free of charge, from any branch.

Martins Bank Limited

The Temperance Permanent offers

MORE FOR YOUR MONEY

SHARE ACCOUNTS

4%

EQUIVALENT TO A GROSS YIELD OF £6·16·2% p.a.

Where Income tax is paid at the standard rate of 8/- in the Pound

4 30/40 % SYSTEM SAVING SHARES

Income Tax paid by the Society

TEMPERANCE

PERMANENT BUILDING SOCIETY

Member of the Building Societies Association

223-227·REGENT ST·LONDON·W1·REGent 7282

FREE SURVEY

Woodworm, Dry Rot, Rising Damp Inspections by Highly Trained Rentokil Skill

During the last 4 years Rentokil have surveyed over 90,000 properties, and three out of every four were found to contain woodworm. A significant number were found to contain dry rot or rising damp.

Make sure *your* property is safe from attack - call in Rentokil now. The inspection is free. It is objective, reliable, and acknowledged by professional bodies. Any treatment found necessary — whether for WOODWORM, ROT *or* RISING DAMP — *is backed by Rentokil's 20 year guarantee.*

PAYMENT CAN BE SPREAD OVER TWO YEARS IF REQUIRED

Ring Rentokil - we are in every phone book - or post the coupon below today for free illustrated technical leaflets.

By Appointment to Her Majesty the Queen Contractors for Woodworm, Dry Rot and Rodent Control Rentokil Laboratories Limited Leatherhead

RENTOKIL LABORATORIES LTD.

16 Dover Street, London, W.1. Telephone: HYDe Park 0061

Please arrange for a Free Survey of the undermentioned property ☐

Or please send me free technical leaflet on: Woodworm ☐ Dry Rot ☐ Rising Damp ☐

(Please tick leaflets required)

NAME .....

ADDRESS .....

RS21 .....

Rentokil guards your property

WHAT JAPANESE BANK IS OLDER THAN THE BANK OF ENGLAND?

The 282-year old Mitsui Bank.

The first Mitsui Exchange House was founded in 1683. From it has grown a vast complex of industries, embracing every aspect of modern business life.

Because the Mitsui Bank still occupies a central position in this great business group, it can be of special help to you in your dealings with Japan.

We are experts in foreign trade and exchange. We are modern, fast, and conscientious. You'll find our branches or correspondent banks in every major city of the world.

THE MITSUI BANK, LTD.

HEAD OFFICE: YURAKU-CHO, TOKYO, JAPAN

LONDON BRANCH:

No. 35, King Street, London, E.C. 2

OTHER OVERSEAS BRANCHES:

NEW YORK • BANGKOK (2) • BOMBAY • SINGAPORE

Registered as a Newspaper. Authorised as Second Class Mail, Post Office Dept., Ottawa. Printed in England by St. Clements Press Ltd., London, E.C.4. Published by The Economist Newspaper Ltd., at 25 St. James's Street, London, S.W.1. Telephone: Whitehall 5155. Postage on this issue: UK 9d., Overseas 9½d.

STOCK PRICES AND YIELDS

LONDON STOCK EXCHANGE INDICES

THE ECONOMIST-EXTEL INDICATOR (1953=100)				FINANCIAL TIMES (1935=100)		FT-ACTUARIES INDICES (April 10, 1962=100)			Bargains Marked
1965	Noon	Close	Yield %	Ord. Index	Yield %	500 Shares	Yield %	2½% Consols Yield	
July 28	361·9	363·4	5·92	315·2	6·23	99·32	6·00	6·64	8,452
" 29	363·0	362·4	5·93	313·8	6·26	99·07	6·01	6·62	8,274
" 30	363·6	363·7	5·91	315·1	6·24	99·39	5·99	6·64	8,423
Aug. 2	363·1	365·1	5·90	316·5	6·21	99·72	5·97	6·66	9,220
" 3	365·0	364·8	5·91	316·8	6·20	99·88	5·96	6·69	8,123
" 4	366·5	368·6	5·85	321·2	6·12	100·90	5·90	6·67	8,331
	High, 405·2 (May 14) Low, 361·1 (July 5)			High, 359·1 (May 3) Low, 313·8 (July 29)		High, 111·39 (February 18) Low, 99·07 (July 29)			

Prices, 1965 High	Low	BRITISH FUNDS DOMINION AND CORPORATION STOCKS		Price, July 28, 1965	Price, August 4, 1965	Net Red. Yield, August 4, 1965§ £ s. d.	Gross Red. Yield, August 4, 1965 £ s. d.
92 15/16	90⅞	Savings Bonds 2½%	1964-67	92 23/32	92 13/16	4 11 2	6 19 2
84 9/16	82⅞	Savings Bonds 3%	1960-70	83⅛	83*	4 12 8	6 19 10
79 9/16	76¼	British Electric 3%	1968-73	78¾	78⅝	4 9 6	6 16 1
75	71½	Savings Bonds 3%	1965-75	72 1/16*	71 13/16*	4 12 4	6 18 4
73¾	70¼	British Electric 3½%	1976-79	71¼	71⅛	4 8 5	6 15 5
61¼	56½	British Transport 3%	1978-88	57⅛	57	4 9 3	6 14 8
92	88¼	Funding 4%	1960-90	92	91⅞	3 9 3	5 5 3
58⅞	53⅛	British Gas 3%	1990-95	54⅛	53⅞	4 6 8	6 12 8
88½	81¼	Treasury 5½%	2008-12	84	81¼*	4 1 9	6 15 11
55 9/16	51¼	War Loan 3½%	after 1952	52	51⅞	3 19 10	6 16 7
40 3/16	37	Consols 2½%		37¾	37⅝	3 18 4	6 13 8
87½	85⅜	Australia 3¼%	1965-69	86⅜	86⅛	...	7 2 0
89¾	87¼	Birmingham 4¼%	1967-70	88	87¾	...	7 2 6
104¼	99½	LCC 6¾%	1974	100	99⅞	...	6 15 6
98¼	94½	Australia 6%	1974-76	95¼	95⅛	...	6 15 6
102⅛	97⅝	Bristol 6½%	1975-77	97⅞	97⅞	...	6 14 0
98¾	93	New Zealand 6%	1976-80	93¼*	93*	...	6 13 6
83	80	Northern Rhodesia 6%	1978-81	80	80	...	8 4 6p
103⅝	98¾	LCC 6¾%	1988-90	100	99⅞	...	6 15 0
55½	53½	Southern Rhodesia 4½%	1987-92	54½*	54½	...	8 19 6
45¾	42½	LCC 3%	after 1920	43¼	42½*	...	6 19 0

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, July 28, 1965	Price, Aug. 4, 1965	Yield, Aug. 4, 1965 % GR	Cover
			BANKS, DISCOUNT & HP					
62/-	53/3	6½ a	Barclays £1	56/-	55/3	57/6	4·0	...
47/9	39/3	5 a	Lloyds £1	41/6	42/9	44/6	4·2	...
18/4½	16/-	7½ a	Martins 5/-	17/7½	18/-	18/3	4·1	...
59/-	50/9	6½ a	Midland £1	51/6	51/9*	53/6	4·5	...
72/3	62/6	8 a	Nat. Provincial £1	66/6	64/6*	66/6	4·8	...
61/9	47/6	6¾ a	Westminster 'B' £1	54/9	56/6*	58/6	4·5	...
48/-	39/3	8 b	Australia & N. Z. £1	44/6	40/9	41/9	5·7	...
37/3	28/6	6 b	BOLSA £1	33/3	29/6	31/6	6·0	...
£25 3/16	£21 15/16	$2·20c	Bank of Montreal $10	£23 11/16	£23	£23¼*	3·1	...
55/3	43/3	5‡a	Bank of New S. Wales £1	48/3	45/3	44/9	3·6	...
39/9	37/-	5½ a	Barclays DCO £1	39/3	38/9	39/9	5·5	...
47/6	41/6	7½ b	Chartered £1	46/6‖	47/6	46/6	6·5	...
£12⅛	£8⅝	6/6b	Hongk'g. & Shang. $25	£9⅛	£8½*	£8½	5·3	...
30/8¼	24/6	5 a	Nat. Com. Bk. Scot. 10/-	27/6	25/6	26/-	4·6	...
£30⅝	£26½	$2·60c	Royal Bk. Canada $10	£28¾	£27 7/16	£27⅞*	3·1	...
60/-	51/9	10 b	Standard Bank £1	57/9	54/6	55/9	6·3	...
29/7½	23/3	16½ b	Hambros 5/-	27/-	23/9	24/6	4·9	...
14/8¼	10/1½	4 a	Hill, Samuel 5/-	12/7½	10/1½	10/4½	4·8	...
31/3	26/6	24 c	Montagu Trust 5/-	31/6	27/3	27/9	4·3	...
59/-	47/-	6 b	Schroders £1	59/-	48/-	48/-	4·0	...
50/-	42/3	6¼ a	Union Discount £1	45/9	43/3*	45/-	5·6	...
11/1½	8/9	4 a	Bowmaker 5/-	10/-	9/-	8/9	8·6	1·4
18/-	13/-	15 b	Lombard Banking 5/-	16/-	13/7½	13/4½	7·5	...
15/3	13/6	7½ a	Mercantile Credit 5/-	14/6	13/9	13/9	7·3	1·7
17/6	14/6	14 b	United Domins. Tst. 5/-	17/3	15/1½	14/9	6·8	1·4
			BREWERIES, Etc.					
14/7½	11/9	5 a	Allied Breweries 5/-	12/4½	12/-*	12/3	5·9	1·5
18/4½	13/7½	4 a	Bass, Mitchells & B. 5/-	15/3	14/-	14/1½	5·7	1·8
15/1½	12/-	10 b	Charrington United 5/-	13/4½*	12/1½	12/6	6·0	1·7
24/6	20/-	7½ b	Distillers 10/-	22/9	23/-	24/-	5·2	1·8
22/-	18/-	8 a	Guinness 5/-	20/3	18/-	18/9	5·6	1·7
20/6	13/5¼	11½ b	Harveys 5/-	15/3	17/10½*	17/10½	4·6	1·7
65/6	51/-	8 b	Scottish & Newc. Brew. £1	60/6	52/-	52/3*	5·4	1·9
17/7½	13/4½	4¾ a	Watney Mann 5/-	14/9	13/7½	14/1½	5·7	1·9
16/7½	13/-	9 b	Whitbread 'A' 5/-	14/-*	13/11½*	13/6	7·4	1·8
			BUILDING, PAINT, Etc.					
59/7½	47/3	6½ b	Associated Portland £1	56/6	47/3	48/6	4·1	2·4
27/9	19/4½	6½ b	BPB Industries 10/-	25/9	19/9	20/6	5·4	2·0
26/3	18/10½	12 b	Richard Costain 5/-	24/6	18/10½	19/1½	5·2	3·4
19/9	7/7½	8½ b	Crittall Hope 5/-	8/7½	8/0¾*	7/7½	7·9	1·9
16/3	12/3	17 b	International Paints 4/-	14/10½	12/9	12/6	8·0	1·7
28/6	18/6	15 b	London Brick 5/-	23/3	18/6	18/7½	5·4	2·2
27/3	20/6	10 b	Rugby Portland 5/-	26/1½	20/9	21/-	3·6	3·1
			CHEMICAL					
24/6	20/3	16 b	Albright & Wilson 5/-	23/3	20/3	20/10½	5·0	1·8
19/9	16/10½	5 a	Borax Defd. 5/-	19/4½	17/9	18/10½*	4·2	2·3
56/-	49/-	5 a	Fisons £1	53/6	51/6	53/3	4·5	1·7
49/1½	42/4½	7½ b	ICI £1	45/3	43/6	44/3	5·6	1·3
16/3	12/10½	10 b	Monsanto 5/-	13/6	13/-	13/1½	5·2	1·3
			DRAPERY & STORES					
17/7½	14/6	8 b	Boots Pure Drug 5/-	16/-	15/4½	15/7½	3·8	2·3
26/6	19/9	2 a	Montague Burton 10/-	25/6	23/6	23/6	3·4	1·6
38/3	30/4½	6¼ a	Debenhams 10/-	33/3*	31/-	31/-	7·0	1·5
37/6¾	32/8¼	21¾ b	Grattan Warehouses 5/-	35/6*	36/-	35/10½	4·3	1·7
48/6	38/7½	25 b	GUS 'A' 5/-	43/-	41/6	42/-	4·2	2·1

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, July 28, 1965	Price, Aug. 4, 1965	Yield, Aug. 4, 1965 % GR	Cover
25/3	19/9	18½ b	House of Fraser 5/-	23/9	19/10½	20/6	7·9	1·3
13/4½	10/1½	10 b	Lewis's Invest. Tst. 4/-	12/1½*	10/1½	10/3	5·9	1·8
35/6	32/6	20 b	Marks & Spencer 'A' 5/-	34/6	33/-	33/6	4·3	1·4
30/6	27/-	6 a	United Drapery 5/-	28/3	27/3	27/7½	4·7	1·8
23/3	18/-	5½ a	Woolworth 5/-	19/7½	18/3	18/6	5·4	1·4
			OIL					
54/9	44/-	18½ b	British Petroleum £1	51/3*	50/-	52/-	7·6	2·6
51/9	44/3	18½ b	Burmah Oil £1	49/3	46/3	48/3	9·1	1·1
£17 13/16	£14⅝	18·3b	Royal Dutch 20 fl.	£15⅞	£15¾	£15 15/16	3·6	2·1
36/4½	29/1½	†18½ b	Shell Transport 5/-	32/10½	29/6	30/6	8·4	2·0
30/3	21/9	...	Ultramar 10/-	28/4½	21/9	23/3	...	...
			ELECTRICAL & RADIO					
53/3	38/-	8¼ b	AEI £1	46/-	44/3	45/-	5·3	1·5
76/1½	61/7½	10 b	BICC £1	69/7½*	63/9	64/6	(5·0)	2·0
12/7½	9/6¾	4·4a	Crompton Parkinson 5/-	13/9¾	9/9¾	10/6¾	4·6	2·2
75/-	61/6	10 a	Decca 10/-	70/6	61/6	62/6	4·4	1·8
27/9	21/4½	5 a	EMI 10/-	26/9	22/-	22/6	5·6	2·3
18/6	11/7½	6½ b	Elliott-Automation 5/-	15/9	11/8¼	13/1½	4·0	1·8
55/3	42/3	9 b	English Electric £1	47/7½	44/6	45/9	5·2	1·9
46/9	37/-	3 a	General Electric £1	39/10½	37/9*	38/9	4·4	2·7
63/9	44/-	8½ b	C. A. Parsons £1	53/9	52/9	53/3	4·7	1·2
132/1½	101/3	10 b	Philips Lamp Works 10 fl.	128/6	107/-	108/6	2·9	2·3
38/7½	29/3	7 a	Plessey 10/-	34/4½	29/11¼	30/6¾	3·9	2·5
18/7½	12/6	20 c	Pye (Cambridge) 5/-	16/-	13/8¼	14/2¼	7·0	2·0
42/3	33/3	20 a	Radio Rentals 5/-	40/7½	34/3	33/3*	6·0	2·1
61/3	44/-	7½ b	A. Reyrolle £1	50/-	52/3	52/3	3·8	3·1
76/-	52/3	15 b	Thorn Electrical 5/-	65/6	57/6	55/9	2·7	4·4
			ENGINEERING					
39/9	30/9	5½ b	Babcock & Wilcox £1	34/3	33/-	33/-	6·1	1·4
40/6	33/-	7 b	John Brown £1	37/10½	36/6	35/9	6·2	1·3
9/-	6/7½	8 b	Cammell Laird 5/-	8/3¾	6/9	6/7½	9·1	0·4
14/-	11/4½	5 a	Internat. Combust. 5/-	27/3	11/11¼	12/0¾	6·2	1·2
26/3	20/4½	7½ b	Swan Hunter £1	23/6	21/6	21/6	9·3	0·6
8/6¾	5/11¼	5¾ b	John Thompson 5/-	8/3¾	6/0¾	5/11¼	7·4	0·6
35/6	26/4½	†3¾ a	Coventry Gauge 10/-	32/-	27/-	27/-	6·3	1·9
56/6	42/-	†2 a	Alfred Herbert £1	53/11½	46/9	46/6	6·9	1·6
27/6	21/7½	12½ a	Acrow (Eng.) 'A' 5/-	26/6	22/-	21/7½	(5·3)	1·6
25/6	17/6	17½ b	Allied Ironfounders 5/-	24/3	18/3	18/0¾	6·9	1·8
23/9	19/9¾	17½ b	Averys 5/-	22/6	22/-	21/-	8·4	1·7
24/10½	18/3¾	5 a	BSA 10/-	20/8¼*	21/3	21/6	(5·6)	2·0
12/-	9/6	8 b	George Cohen 5/-	10/-	11/3	11/0¾	5·4	2·2
15/7½	11/7½	6 b	Davy-Ashmore 5/-	12/10½	12/9	12/3*	4·5	...
56/3	45/9	9 b	Guest, Keen £1	48/-	47/3	47/9	5·9	2·0
19/6	12/3	12 b	Head Wrightson 5/-	19/-	12/6	12/3	6·5	1·3
58/3	48/9	7½ b	Metal Box £1	55/11½	49/-	51/6	4·9	1·7
17/8¼	14/-	6 a	Ransome & Marles 5/-	16/4½	14/9¾	14/-	6·1	2·1
40/10½	34/11½	5 b	Renold Chains £1	38/9	36/3	36/6	5·2	1·9
72/9	58/4½	7½ a	Tube Investments £1	59/-*	60/-	59/9	5·0	1·9
28/3	20/9	7½ b	Vickers £1	23/6	21/6	21/7½	9·2	0·5
48/6	38/6	9½ b	Ward (Thos. W.) £1	42/9	40/4½	40/4½	8·7	1·9
14/9	10/4½	8 b	Wellman Smith Owen 5/-	11/9	11/4½	11/3	6·7	1·0
18/6	14/3	16 b	Woodall-Duckham 5/-	15/6	16/3	16/9	6·3	1·3
			FOOD & TOBACCO					
33/3	28/-	16 a	Allied Suppliers 10/-	28/6	31/6	31/9	5·0	2·1
7/9	6/10½	15 b	Assoc. British Foods 1/-	7/7½	7/-	7/-	4·4	2·0
40/-	32/4½	8 b	Bovril £1	36/3	33/-	34/3	7·0	2·2
12/4½	10/6	†2½ a	Brooke Bond 'B' 5/-	11/7½	10/9	11/-	5·8	2·8
8/7½	7/3	8 b	Fitch Lovell 2/6	7/7½	7/7½	8/-	4·7	2·4
10/7½	8/10½	9½ b	International Stores 5/-	9/3	10/-	10/1½*	5·4	2·0
59/6	50/6	10 b	J. Lyons 'A' £1	52/-‖	50/6	51/-	5·2	1·6
33/10½	26/-	5½ a	Ranks Hovis 10/-	29/9	26/3	26/6	6·0	1·9
32/1½	26/-	7 b	Reckitt & Colman 10/-	28/3	26/6	26/9	5·2	2·2
15/9	12/6	9½ b	Spillers 5/-	15/4½	12/7½	13/4½	4·9	2·3
35/3	28/9	2 a	Tate & Lyle £1	31/-	30/9	31/-	6·5	2·0
8/3	6/3	18 b	Tesco Stores 1/-	7/5¼	8/-‖	8/3‖	3·6	2·4

FOREIGN AND OVERSEAS STOCKS

	July 28 Frcs.	Aug. 4 Frcs.		July 28 %	Aug. 4 %		July 28 %	Aug. 4 %
FRANCE			**GERMANY**			**HOLLAND**		
Air Liquide	560	571	A.E.G.	418	433	A.K.U.	443	445½
Banque de Paris	293	306	Bad'che. Anilin.	450	460	Amster. Rot. Bk.	Fl. 58	Fl. 58·8
Citroen	148	156	Bayer	388	397	Bijenkorf	646	663
C. F. Petrole	176	174·5	Commerzbank	377	390	Heinekens	473	467
Cie G. d'Elect.	491	508	Deutsche Bank	413	420	Interunie (Fl.50)	Fl. 185	Fl. 186
Machines Bull	91·5	94·5	Hoechst Farb.	490½	506	K. N. Hoogoven	488	494
Pechiney	188	195	Kundenkredit	342	338	Kon. Zout-Ket.	870	865
Printemps	191·5	196	Loewenbrau	1,000	1,000	Philips (Fl.25)	Fl. 118·4	Fl. 119
Rhone-Poulenc	274	280·5	Mannesmann	199	200	Robeco (Fl.50)	Fl. 217	Fl. 219
S.I.M.	311	315	Siemens	492	514	Thomassen & D.	490	492
Saint-Gobain	200	209	Thyssen-Huette	182	182	Valeurop	Fl. 63·8	Fl. 64·8
Usinor	103·5	104	Volkswagen	497	509	Zwanenbg (Fl.20)	Fl. 177	Fl. 178·5
Index	88·9	90·2	*Herstatt Index*	93·59	95·07	*Index*	330·3	333·0
High	101·4	(31.3.65)	*High*	105·22	(8.1.65)	*High*	370·9	(2.3.65)
Low	84·8	(20.7.65)	*Low*	89·09	(29.6.65)	*Low*	320·2	(29.6.65)
	Dec. 31, 1964=100.			*Dec. 31, 1959=100.*			*1953=100.*	
CANADA	$	$	**AUSTRALIA**	£A	£A	**JAPAN**	Yen	Yen
Abitibi Pr. & P.	11¾	11¾	Ampol Pet.	9/11	9/10	Ajinomoto	224	246
Aluminium	27⅝	29	Aus. Pulp & P.	31/9	32/3	Fuji Iron	56	61
Bell Tel.	57⅛	58⅜	Aust. Con. Inds.	57/-	55/3	Hitachi	83	86
Can. Brewer's.	8⅝	9	Aust. Oil & Gas	24/9	23/6	Honda Motor	202	209
Can. Imp. Bank	63	63⅝	Brit. Tobacco	34/6	34/-	Kirin Brewery	183*	198
Can. Pac. Rly.	57⅜	61	Broken Hill Pty.	52/9	52/9	Mitsub. Chem.	113*	118
Hiram Walker	34½	37¾	G. J. Coles	14/5	14/-*	Mitsub. Elect.	55	58
Imperial Oil	52	52	Colonial Sugar	63/3	63/6	Mitsub. Heavy	67	73
Noranda Mines	46¼	48¼	Felt & Textiles	8/-	8/1	Nippon Elect.	192	200
Power Corpn.	13	14	I.C.I., A.N.Z.	45/6	44/6	Sony	266	277
Steel of Canada	27⅞	28⅜	Myer Emporium	30/6	30/8	Toyo Rayon	104	109
Trans. Can. Pipe	34	36⅛	Woolworth	15/7	16/-	Yawata Iron	56	59
Montreal Ind.			*Sydney Ind.*			*Dow Jones*		
Index	153·0	156·8	*Index*	319·77	318·41	*Average*	1066·19	1135·31
High	174·0	(13.5.65)	*High*	368·74	(5.1.64)	*High*	1289·98	(12.1.65)
Low	151·8	(26.7.65)	*Low*	301·86	(29.6.65)	*Low*	1020·49	(12.7.65)
	1956=100.			*1937-39=100.*				

* Ex dividend. † Tax free. § The net redemption yields allow for tax at 8s. 2d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Equivalent to 8·0 sterling. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) Ex all. (h) After Zambian tax. (l) To latest date. (n) Interim since reduced or passed. (p) Resulting from split of Federation of Rhodesia and Nyasaland Stock. Japanese prices supplied by Daiwa Securities, Tokyo. Canadian 65 Stock Industrial Index supplied by the Montreal Stock Exchange. ** Yields in brackets are on forecast dividend.

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, July 28, 1965	Price, Aug. 4, 1965	Yield, Aug. 4, 1965 %	Cover
13/10½	12/6	9 b	Unigate 5/-	13/-	12/7½	12/6	5·6	1·7
55/-	44/9	‡10⅚ b	Brit. Amer. Tobac. 10/-	48/-	52/6	54/9	6 7	2 4
26/4½	21/-	14 b	Gallaher 10/-	22/9	24/3	25/-	7 4	2 1
57/3	47/-	7½ a	Imperial Tobacco.....£1	49/3	54/6	54/4½*	7 4	1 6
			INSURANCE					
6⅛	5¼	43⅓ a	Britannic...........5/-	5½	6 1/16	6 1/16	4·5	...
45/9	36/3	25 b	Commercial Union ..5/-	42/3	45/9	45/3	5·0	...
5	4⅛	†40 c	Equity & Law Life ...5/-	4½	4 15/16	4⅞	3·5	...
50/-	40/3	25 b	General Accident....5/-	49/9	49/3	48/9	3·8	...
34/6	27/3	15 b	Guardian...........5/-	29/9	34/3	33/9	3·9	...
9¾	8¼	50 b	Legal & General.....5/-	9	9½	9	2·8	...
122/6	97/6	13 b	Northern & Empl.....£1	121/3	121/3	118/9	4·0	...
49/3	37/-	†110 b	Pearl 5/-	10½	44/9	43/9	5·1	...
33/3	28/3	†47·9b	Prudential 'A'.......1/-	29/6	32/6	32/9	4·1	...
39/3	30/9	20 b	Royal 5/-	36/3*	39/3	39/3	4·5	...
76/3	62/3	11¼ b	Royal Exchange £1	73/3	75/9	75/3	5·0	...
			MOTORS & AIRCRAFT					
15/1½	12/4½	5 a	Birfield 5/-	15/-	13/1½	13/6	3 7	1·9
15/1½	11/6	7½ a	British Motor 5/-	14/8¼	11/9	12/1½	8·2	1 7
33/1½	25/-	15 c	Jaguar Cars 'A'......5/-	30/-	25/-	26/7½	2·8	6·8
9/2¼	6/4½	4 c	Rootes Motors 'A'....4/-	7/1½	6/4½	6/6¾	2 4	3·1
58/-	47/4½	2½ a	Leyland Motors £1	53/6	47/6	48/6	4·5	2·3
18/-	14/6	8½ b	Bristol Aeroplane...10/-	15/10½	15/-	15/4½	8 8	2·0
35/3	27/10½	7 b	Hawker Siddeley £1	29/10½	31/3	32/1½	7·5	1·7
40/3	31/3¾	7½ b	Rolls-Royce..........£1	35/10½	36/6	37/-	5·4	1·9
20/4½	15/3¾	†3¼ b	Dowty Group......10/-	17/10½	15/6	15/9*	5·6	2·0
31/6	25/1½	10·8 b	Dunlop Rubber 10/-	29/4½	25/6	25/6	6·2	1·8
35/9	29/6	2½ a	Joseph Lucas £1	32/9*	29/9	29/6	5 7	2·4
12/5¼	8/9	13 b	Pressed Steel........5/-	10/11¼	11/6	11/9¾	7 4	2 0
30/4½	23/9¾	5⅜ b	Triplex Holdings... 10/-	24/10½	24/1½	23/11¼	(5·2)	...
			PAPER & NEWSPAPERS					
46/6	37/6	20 b	Financial News......5/-	44/9	39/-	37/6	3·3	2 9
67/-	57/6	30 b	Financial Times......5/-	66/9	59/-	57/6	3·3	2 7
18/3	15/7½	14 b	Internat. Publishing .5/-	15/9	16/3	16/1½	6·2	1·8
31/6	22/3	16 b	News of the World .5/-	27/3	22/9	22/3	6·7	1·7
56/6	48/9	8½ b	W. H. Smith & Son 'A'.£1	53/-	48/9	40/-	5·0	2 0
21/9	17/9	18 b	Thomson Org'n. 5/-	20/3*	19/3	19/6	7·2	1·4
46/-	38/7½	20 a	Bowater Paper.......£1	45/9	43/6	45/6	6 0	1·8
21/9	17/1½	10 a	British Printing......5/-	19/3	17/7½	18/4½	6 1	1 8
30/-	24/-	17½ c	Bunzl Pulp 5/-	27/9	27/9*	28/-	3·1	4·5
57/6	47/-	12 b	Reed Paper..........£1	50/9	51/10½	52/-	6·5	1·5
50/1½	44/3	10 b	Wiggins Teape £1	46/9	44/6	45/-	6·2	1·9
			STEEL					
42/3	25/10½	6 a	Colvilles £1	28/6	30/10½	30/9	10·4	1·4
29/-	23/4½	4 a	Dorman Long.........£1	25/3	26/3	25/10½	10 8	1·2
31/-	19/-	2 a	Lancashire Steel......£1	19/3	21/6	21/-	(n)	0 9
24/-	16/6	4 a	South Durham £1	18/-	19/1½	19/-	12·6	1·3
28/6	17/7½	3⅜ a	Steel Co. of Wales....£1	19/-	23/3	22/6	8·9	...
36/3	30/-	5 a	Stewarts & Lloyds £1	32/3	32/7½	32/6	10·8	1 6
35/3	27/3	6 a	John Summers £1	30/3	32/3	31/6	10·2	1·7
36/6	27/-	6 a	United Steel £1	29/3	29/9	28/6	10·5	1·1
			MISCELLANEOUS					
26/4½	23/-	20 b	Assoc. British Picture.5/-	23/10½	24/-*	24/6	6·1	2 9
14/11¼	12/10½	12½ b	Assoc. Television 'A'.5/-	14/2¼	13/7½	13/6¾*	8 3	2·0
30/3	27/1½	6½ b	Wm. Baird £1	29/1½	27/6	28/-	6·8	2 4
22/3	19/-	11 b	Beecham Group.....5/-	19/10½	20/4½	21/6	4 7	2·0
19/3	16/9	†6⅔ b	Bookers............10/-	19/-	17/9	17/9	9 6	2·1
44/-	36/4½	7·92b	British Match £1	41/1½	37/10½	37/4½*	6·0	1·9
10/3	8/6¾	3 a	British Oxygen.......5/-	9/1½	8/9	8/9¾	5·7	1·6
12/9	9/4½	11 b	British Ropes 5/-	11/-	11/-	10/10½	6·4	1·8
11/6	9/4½	37½ b	Butlin's 1/-	10/9	9/9	9/10½	5·6	1·2
31/9	21/1½	10 b	De La Rue.........10/-	27/6	22/6	23/6	6·4	1·7
19/-	13/10½	12 c	Drages..............5/-	16/10½	14/7½	14/7½	4·1	2·9
25/9	19/6	4 b	Gestetner 'A' 5/-	25/3	20/9	20/9	3·9	2·7
32/9	29/3	6 a	Glaxo..............10/-	31/3*	29/4½	30/3	4·5	2·3

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, July 28, 1965	Price, Aug. 4, 1965	Yield, Aug. 4, 1965 %	Cover
46/9	38/9	3 a	Harrisons & Cr. Defd..£1	42/3*	43/6	43/6	6·9	2·0
48/4½	39/-	15 a	Hoover 'A' 5/-	45/3	39/6	39/-*	7·7	2·1
102/6	85/6	13·27b	Hudson's Bay £1	92/3	95/6	96/-	4·2	2·4
48/6	31/-	4⅙ a	ICT.................£1	44/3	31/6	31/-	7·3	...
20/3	16/-	12 b	Mecca 'A' 5/-	17/-	16/9	17/3	6·7	1·0
35/-	27/-	12½ c	National Canning £1	29/1½	27/-	28/-	8·9	1·1
21/3	16/-	8 b	Powell Duffryn.....10/-	19/4½	18/3*	19/1½	5·8	1·9
31/3	21/1½	8 a	Rank Organisation...5/-	24/6	21/9	21/6	(4·9)	2·6
13/1½	11/7½	9½ b	Schweppes 5/-	12/-	12/4½	12/4½	5·5	1·6
21/6	18/3	25 c	Sears 'A' 5/-	19/6¾*	19/4½	19/7½	6·4	1·6
18/-	15/2¼	11·2b	Steetley 5/-	20/1½	15/4½	15/4½	4·9	2·0
25/4½	21/1½	18½ b	Thomas Tilling 4/-	23/6*	21/3	21/7½	5·3	1·9
43/7½	34/9¾	3¾ a	Turner & Newall.....£1	[illegible]	34/11¼	37/-	5·8	1·7
36/1½	30/4½	15⅚ b	Unilever 5/-	31/9*	31/3	34/4½	3·6	3·0
9½	8¼	13·25b	Unilever NV ...... 12 fl.	8 7/16	9⅛	9⅜	2·7	3·0
11/7½	8/3	10 b	United Glass........5/-	11/1½	9/3	9/6	7·9	0·8
			MINES					
320/-	238/9	80 a	Anglo-American....10/-	271/3*	310/-	308/9	3·9	1·8
21/6	17/-	...	Charter Cons. 5/-	19/7½	20/4½	21/6	...	...
101/3	86/6	11¼ a	Consolid. Gold Fields.£1	95/9*	99/6	100/6	6 0	2·2
146/3	130/-	20 b	General Mining £1	136/10½	141/3	137/6	5·1	2 5
116/3	103/1½	120 b	Union Corporation ..2/6	108/9	114/6	113/9	3·5	3·0
151/10½	121/3	120 b	Free State Geduld ...5/-	128/9*	148/9	151/10½	6·3	1·3
136/3	101/10½	40 b	W. Driefontein.....10/-	113/9	131/3	136/3	5·5	1·9
85/7½	60/-	6¼ a	Western Deep 'A'....£1	78/1½	83/9	85/7½	3·5	4·9
232/6	198/9	160 b	Western Holdings ...5/-	213/9*	229/4½	232/6	5·9	1·2
52/3	38/-	8 17/32 a	Roan Selection Tst. ...£1	40/-	44/6	46/-	9·5h	1·2
13/7½	11/3	7½ c	Tanganyika Cons....10/-	12/3	11/6	12/-	6·3	1·2
63/6	54/3	40 a	Z. Anglo-Amer......10/-	57/9*	57/-	58/-	15·5h	1·2
183/9	142/6	60 a	De Beers Defd. Reg..5/-	151/1½*	180/-	183/9	4·1	2·2
$183	$154	$2·75c	Internat. Nickel ...n.p.v.	$167½	$165	$175	2·8	...
18/10½	14/-	32½ b	London Tin..........4/-	16/10½	16/7½	16/7½	9 6	1·4
29/9	24/3	14⅙ b	RTZ...............10/-	28/7½‖	29/1½	29/9	6·4	2·0
20/-	11/9	15 a	Tronoh 5/-	18/6	15/-	14/6*	(n)	1·0
			SHIPPING					
44/-	20/-	2 a	Anglo Norness........£1	34/3	23/9	23/6	6 4	4 0
20/6	16/9	8	Brit. & Com'wealth.10/-	19/-	19/4½	19/4½	6·2	1 4
17/0¾	13/4½	5 c	Cunard £1	15/3¾	13/6	13/4½	7 5	..
36/6	29/3	10 c	Furness Withy £1	30/-	34/7½	34/4½	5·8	..
32/6	24/6	7 b	P & O Defd...........£1	27/4½	28/-	28/4½	7·0	0·6
			TEXTILES					
42/3	33/-	7 b	Ashton Bros. £1	39/6	33/-	33/-	7·3	1·7
16/7½	12/10½	11½ b	Carrington & Dewh'st 5/-	14/3	14/6	14/6	6 0	2·0
22/9	18/6	16⅔ b	Courtaulds 5/-	19/-	18/10½	19/6	6·4	1·7
66/3	50/-	6 a	West Riding Worsted.£1	54/6	51/-	52/6	6·9	1·7
21/10½	18/4½	6¼ b	Woolcombers.........£1	19/10½	18/7½	18/4½*	9·5	1·1
12/11¼	10/2¼	6 a	Calico Printers.......5/-	10/9¾	11/0¾	11/0¾	(7·2)	2·4
44/9	36/4½	8¾ b	Coats, Patons & B.....£1	40/9	37/3¾	37/5¼	7·2	1·7
12/11¼	9/11¼	9 b	English Sewing Cotton 5/-	10/5¼	10/6¾	10/8¼	7·0	1·8
15/3¾	10/9	11⅔ c	Viyella Int...........5/-	21/-*	11/-	11/3	5·2	2 0
			TRUSTS & PROPERTY					
24/3	20/-	10½ b	Alliance Trust.......5/-	24/3	22/3	22/6	3 9	1 2
54/3	45/7½	37½ b	BET 'A' Defd........5/-	49/10½	47/3	49/4½	6 3	1 7
18/6	14/9	6¾ a	Cable & Wireless....5/-	18/6	15/6	16/7½	4·1	1 3
17/9	13/5¼	10½ b	Philip Hill 5/-	15/6	14/6	14/6	5 5	1·2
30/-	25/6	15½ b	Industrial & General .5/-	29/9	27/9	28/3	4·8	1 2
29/1½	23/10½	12½ a	City Centre Props. ..5/-	27/7½	25/-	25/-	6 0	1·1
60/6	47/9	10 b	City Lond. Real Prop..£1	53/6	60/6	60/-	5·3	1·1
18/3	15/-	5¾ b	Land Securities.....10/-	15/10½	17/10½	18/1½	4·3	1·1
29/3	23/7½	10 b	Lond. Cnty. Freehld..10/-	24/9	28/6	28/6	6 4	1·1
			TEA & RUBBER					
49/-	40/6	†22½ b	Cons. Tea & Lands ...£1	49/-	44/-	45/-	18 9	1·5
25/3	15/-	†3 a	Jokai (Assam) £1	20/9	15/-	15/-	13 6	...
3/3¾	2/5¼	12½ a	Highlands & Lowlands 2/-	3/0¾	2/8¼	2/8¼	15·5	1·5
3/9	3/1½	25 b	London Asiatic......2/-	3/7½	3/4½	3/1½*	19 2	1·7

NEW YORK PRICES AND INDICES

	July 28 $	Aug. 4 $		July 28 $	Aug. 4 $
Atch. Topeka §...	31⅝	32¾	Gen. Electric	97⅝	102½
Can. Pacific......	54¼	56½	General Foods ..	79¾	84¾
Pennsylvania..	40⅛	42¾	General Motors .	95½	98⅝
Union Pacific	39⅞	41¼	Goodyear	47	47¼
Amer. Electric...	41⅜	41⅞	Gulf Oil.....	53⅜	54½
Am. Tel. & Tel. ..	66½	66⅝	Heinz	39¼	41½
Cons. Edison	43⅜	43½	Int. Bus Mach. ..	470½	484¾
Int. Tel. & Tel. ...	49⅝	53	Int. Harvester ...	36½	36⅝
Western Union ..	37⅛	38¾	Inter. Nickel....	84	86¼
Alcoa...........	69	69⅞	Inter. Paper ..	28½	29½
Aluminium......	25½	26¾	Kennecott	103⅞	110¾
Amer. Can.	49	49½	Litton Inds......	91¼	93⅛
Am. Smelting....	99¾	55½	Monsanto	83	84⅝
Am. Viscose	89½	89½	Nat. Distillers ..	30⅝	30⅞
Anaconda	63⅜	68⅞	Pan-American .	26⅝	25⅞
Beth. Steel	35½	35*	Procter Gamble	72¾	73¼
Boeing	77½	79⅜*	Radio Corpn ...	33¾	35⅝
Celanese........	80⅛	82½	Sears Roebuck ..	65⅜	66⅜
Chrysler	44⅜	44¾*	Shell Oil	61⅝	63⅛
Col. Palmolive ...	31⅜	31⅝	Socony-Mobil ..	85⅜*	87⅜
Crown-Zeller ...	49¼	49⅛	Stand. Oil Ind. ..	47⅞	48⅞
Distillers Seag....	32	32⅞	Stand. Oil N.J. ..	75⅝	76*
Douglas.........	43⅜	47⅜	Union-Carbide .	60¼	59¾
Dow Chemical...	66¼	68¼	U.S. Steel	48¼	48⅛
Du Pont	232	236⅞	West. Electric...	48⅝	50⅛*
East Kodak	84¼	84¾	Woolworth	27¼*	27½
Ford Motor	52	52½	Xerox.........	151⅜	160⅝

Standard and Poor's Indices (1941–43 = 10).

1965	425 Industrials	Yield %	Govt. Bonds	Yield %
July 7	89·65	3·03	87·06	4·17
" 14	90·95	2·98	87·06	4·17
" 21	89·01	3·05	87·06	4 17
" 28	88·99	3·05	87 06	4·17
August 4	90·88	2·99	86·85	4·19

425 Industrials:—High, 95·79 (May 13). Low, 86·43 (June 28).

Money Market Indicators

While interests rates showed little change over the week, the tendency to harden has persisted and local authorities' and 'finance houses' rates rose 1/16 per cent. The weakening of the pound was reflected by a rise in Euro-sterling rates in Paris of ⅛-¼ per cent. Euro-dollar rates remained at last week's levels. The spot pound was a little lower but the forward pound weakened and the cost of forward cover rose by 7/16 per cent. All covered arbitrage margins moved in New York's favour, which now has a comfortable advantage.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91-Day Average Rate of Allotment	Allotted at Max. Rate*	Tender Issue Outstanding
1964	91-Day		s. d.	%	
July 31	250·0	430·5	93 1 03	43	3,010·0
1965					
April 9	170·0	320 6	129 10·59	52	2,280·0
" 15	160·0	377 2	128 9·36	24	2,270·0
" 23	160·0	280·8	127 11·97	28	2,260·0
" 30	160·0	373·8	127 6·00	31	2,260 0
May 7	160·0	371·4	126 2·47	41	2,260·0
" 14	160·0	324·3	125 5·69	13	2,260·0
" 21	190·0	431·5	125 6·98	19	2,260·0
" 28	170·0	293·1	127 3·34	61	2,260·0
June 4	170·0	313·1	112 9·31	48	2,250·0
" 11	170 0	330·9	112 0·99	35	2,240·0
" 18	210·0	410·9	111 9·57	34	2,210·0
" 25	170·0	302 4	110 10·02	50	2,240·0
July 2	170·0	402 8	110 0·66	22	2,230·0
" 9	170·0	310·2	111 9·95	30	2,220·0
" 16	170·0	317 1	112 4 63	21	2,220·0
" 23	180·0	327·3	112 6 87	22	2,230·0
July 30	180·0	332·5	112 7·17	19	2,250·0

*On July 30th tenders for 91-day bills at £98 11s 10d secured 19 per cent; higher tenders being allotted in full. The offer for this week was for £190 million 91-day bills.

KEY MONEY AND ARBITRAGE RATES

London — **August 4**

	%		%
Bank rate (from 7%, 3/6/65)	6	**Market discount rates** (*3 months'*)	
Deposit rates		Treasury bills ...	5⅝
7 days' notice:		Bank Bills	5 15/16–6
Clearing banks	4	Fine trade bills ..	7–7½
Discount houses ...	4		
Local authorities...	6¼–6⅜	**Euro-dollar deposits:**	
3 months' fixed:		7 days' notice ...	4⅛–4⅝
Local authorities...	6½	3 months'	4½–5
Finance houses	7⅛		
Call money:		**Euro-sterling deposits:** (in Paris):	
Clearing banks' minimum.......	4⅜	2 days' notice...	6–6½
Day-to-day spread..	4⅜–5⅝	3 months'	6¾–7¼
US dollar exchange		**Forward rate:**	
Spot rate....	$2·79 5/32–3/16	(*3 months'*)	1¼–1⅝c pm
Forward cover (*3 months'*): Annual interest cost.........	2 5/16–2½		

New York

Treasury bills:		**Market paper:**	
July 28	3·80	Bank bills	4·13
August 4	3·83	Certs. of deposit.	4 25

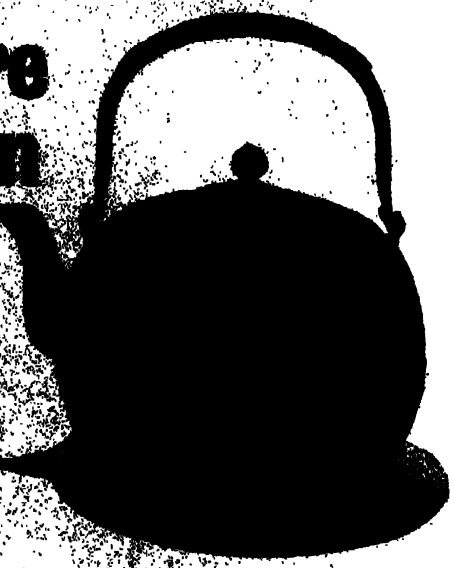
Covered Arbitrage Margins

	In favour of: Last week:	This week:
Treasury bills.............	N. York 5/32	N. York ⅝
Prime bank bills	N. York ¼	N. York 9/16
Euro - dollar / UK local authority loans	N. York 9/32	N. York 21/32
Euro-dollars/Euro-sterling.	N. York 3/32	N. York 5/32

These covered arbitrage margins show the differentials in rates on the particular sterling and dollar assets, as adjusted for the cost of forward exchange cover, shown above.

First in a series

Why were ancient iron products expensive?



Iron kettle used in Japan during the 17th century.

Why is NKK quality steel so inexpensive?

Ancient iron products were expensive because of excessive time and labor consuming method. Price, versatility and availability are the outstanding features of the steel manufactured by Nippon Kokan, producer of 11 percent of Japan's steel supply.

Reasons for NKK's leadership are.....

Research and Development – NKK's Technical Research Institute paces the growth of the steel industry by meticulous research into the fields of chemical and metallurgical science. An example is NKK's developments in the technology of Basic Oxygen Furnace (LD Process).

Convenient Operating Locations – Nippon Kokan's three main plants are adjacent to each other, making it practical to direct these massive production facilities from a "Work-load Control" center.

Unique also is NKK's central off-shore raw materials yard where the finest iron ore available are expertly sized and blended.

Ideal Location For Export – The Nippon Kokan main plants are on tide water locations providing direct on/off landing of ships up to 70,000 deadweight tons. This plus strategic access to major rail and highway systems provides NKK with fast delivery from the mill to customers, both worldwide and domestic.

Manufacturer / Major Customer – Nippon Kokan uses substantial amount of its own steel in shipbuilding, bridge fabrication and erection, industrial plant design and other construction projects, and is thoroughly aware of the specific requirements.

Expansion Programme – The new Fukuyama Works, considered to be the world's lowest production cost steel complex, has started production and is well on its way to fulfill its goal of 7,000,000 tons annually.

Main Products – Pig iron, steel ingots, semi-finished materials, shapes and bars, plates and sheets, tubing and pipe and ferro-alloys.

NKK

NIPPON KOKAN

Head Office:
2, 1-chome, Otemachi, Chiyoda-ku, Tokyo, Japan
Cable: "STEELTUBE TOKYO" "KOKANSHIP TOKYO"
Telex: TK 2576 (NKK)

Overseas Offices:
Dusseldorf Office: Kreuzstr. 34, Duesseldorf, W. Germany
Cable: "KOKAN DUESSELDORF" Telex: 8587839 (KOKAN DSSD)
London Office: Marlow House, Lloyd's Avenue, London, E.C. 3, England
Cable: "KOKANNK LONDON" Telex: 262539 (KOKANNK) LDN
New York, Los Angeles, Singapore, Hong Kong

10 boys in an elevator or 1 pneumatic tube system?

Distribution of paper work between offices has increased to the point where traffic jams are common.

Not so with ITT pneumatic tube systems on the scene. Tubes and carriers can handle the work of elevators full of messenger boys.

An excellent example of a new high-speed system is in New York City's First National City Bank. It was provided by a U.S. subsidiary of ITT. It is capable of automatically switching 2,400 tube carriers per hour to 65 stations.

A system developed by Standard Elektrik Lorenz AG, ITT's German affiliate, is made up of more than 100 miles of pneumatic tube to handle inter-postoffice mail for the Berlin Postal System.

But paper is not, by far, all that can be transported by pneumatic tubes.

Systems in hospitals transport blood plasma, medicines, X-ray photographs, sterile supplies —in addition to administrative paper work.

One system moves molten steel samples to laboratories at 80 feet per second. Another, radioactive samples. Still another, microelectronic sub-assemblies.

Other users include airlines, railroads, publishing houses and truck terminals.

International Telephone and Telegraph Corporation. World's largest international supplier of electronic and telecommunication equipment. World Headquarters: 320 Park Avenue, New York, New York 10022. European Headquarters: 11 Boulevard de l'Empereur, Brussels 1, Belgium.

ITT in Europe since 1879 / employing more than 128,000 Europeans / 28 companies / 105 plants / manufacturing in virtually every country in free Europe.

ITT

THE ECONOMIST THIS WEEK

SOUTH-EAST ASIA: WHAT ARE THE BRITISH DOING?
Singapore's expulsion from Malaysia marks the collapse of a British far east policy—but only of a policy that had been forced upon us. Now there could be an opportunity of actually choosing a new one **page 585.** A special correspondent suggests that the former uneasy bedfellows will get to feel more friendly if they stay apart for a while, and may come together again surprisingly soon **page 596.**

SOUTH-EAST ASIA: WHAT WILL THE AMERICANS DO?
The most vital strategic areas of South Vietnam are the central highlands and the Mekong delta. These are likely to be the scene of American operations after the monsoon. For North Vietnam to send its army south would seem a poor move in military terms, and the Chinese would have still more difficulty in bringing their strength to bear **page 587.**

GREECE IN CRISIS
King Constantine should never have got into such a spectacular clash with Mr Papandreou. With his room for manoeuvre becoming steadily smaller, he must climb down sooner or later; and when he does, Mr Papandreou would be wise to give him a helping hand **page 589.**

TURN ROUND IN THE CITY
The City this week has swung from neurosis to euphoria Ever more emphatic devaluation denials, helped by pictures of financial bosses safely away on holiday, were compounded by a set of brilliant if ephemeral trade figures. Everything looks fine, for at least a fortnight **pages 628 and 640.**

THE PRICE OF LEARNING
British universities are beset with money worries: it is time to think about rejigging post-school education so that the country will be able to afford the universities it wants **page 588.**

AMERICAN LABOUR'S NEW RELATIONSHIP
Today trade unions in the United States have closer links with, and more influence on, the President and the Congress than ever before. As a result they are doing well for their members—but those members make up a steadily declining proportion of the working population **page 607.**

BUSINESS BRIEF: MORE HANDS OR FEWER BY 1970?
The supply of labour is increasing very fast in America, pretty fast in Japan, very little in Britain, declining in Germany. But Germany may still chalk up more economic growth than Britain or America, which come off badly in comparisons of labour productivity **page 620.**

ALUMINIUM'S PRIVATE SLUMP
The aluminium industry has at last been referred to the Monopolies Commission for making restrictive agreements with its wholesalers. What the Commission will find when it starts to examine these not-very-heinous arrangements is a once healthy industry in need of a drastic shake-up **page 623.**

SUMMER SIESTA IN ALGERIA
Algerians are not falling over themselves to fulfil the various worthy roles proposed for them by their new military masters. On the contrary, in a rather lackadaisical way many of them have faded away to the beaches, leaving it to the military men to prove themselves first **page 595.**

Why this many words in a FORTUNE story add up to

18,351 LIRE

116.7 MARKS

10.5 POUNDS

10,605 ¥EN

144 FRANCS

29.37 DOLLARS

"You get what you pay for" is the old axiom and so it is with FORTUNE journalism. The level of FORTUNE's audience demands a magazine written and edited on the highest plane. So, it's easy to understand FORTUNE's high editorial cost of $2.67 a word ($29.37 for eleven words or 18,351 lire, 116.7 marks, 10.5 pounds, 10,605 yen, and 144 francs).

The same high-priced and highly valued editorial material is contained in FORTUNE International. In fact, it's the same magazine with these distinct marketing advantages: it contains an extra bonus of international advertising pages ...and it's distributed only outside the U.S. and Canada.

High level also describes FORTUNE International's 25,000 subscribers. They are the men most important to industrial sales in Great Britain, Europe, Latin America, the Middle East and Africa.

More than 60% of them are chairmen, managing directors, corporate officers, owners, and managers. And 88.3% are executives in top companies.

To get all the details on the high quality of FORTUNE International in lire, marks, pounds, yen, and francs, contact:

In England: Robert Dumper, Time & Life Bldg., New Bond St., London W.1, England ... On the Continent: Carl Ludwig, Berliner Allee 61, Düsseldorf, West Germany ... In Japan: B.S. Hirai, Asahi Bldg., 3, 6-chome, Ginza Nishi, Chou-ku, Tokyo, Japan ... in the United States: Thomas Curtin, Time & Life Building, Rockefeller Center, New York, N.Y. 10020.

FORTUNE International—The Magazine of Business Leaders Around the World

SECOND CLASS POSTAGE FOR *THE ECONOMIST* PAID AT NEW YORK, N.Y.
Published weekly every Saturday, fifty-two times a year in London, England

LETTERS

Mr Micawber

SIR—You are right to be critical of the present Government's record, but the explanation you offer of "Mr Micawber's difficulties" (August 7th) seems unworthy of you. Even though you, unlike the Opposition front bench, have no miserable record to hide, you, nevertheless, appear to give currency to their comforting belief that "it was the Wilson government that landed itself as well as the country uncomfortably close to Carey Street." Surely the present situation is the result of long-term trends. This country would be near bankruptcy no matter what any government might have done during the last nine months. To suggest otherwise merely helps to substantiate the myth that Britain's troubles are really only of the "little local difficulty" variety.

In fact, as you yourself have pointed out on innumerable occasions, the adjustment that this country must make is much more fundamental than most people, including it seems Mr Wilson, like to think. The real charge against the present Government must be related to its failure to initiate measures sufficiently radical to reverse the existing import/export trends. Only a determined advance on this front can ultimately settle the question of confidence. But the sad truth seems to be that given the present balance of payments position, it is quite unpredictable what effect, if any, on international confidence measures of the credit squeeze type are going to have.

To believe that the Tories could play a more radical role than Labour appears singularly unrealistic. Their doctrinal approach to the question of ownership of capital coupled with a naïve faith in the automatic efficiency of private enterprise would inhibit them far more than Labour. If the dangers that would inevitably accompany devaluation are to be avoided, state intervention on a really large scale may prove the only practicable way of tackling the problem within the short period of time that is still available.—Yours faithfully, VLADIMIR DERER
London, NW11

SIR—All this about Mr Micawber is very true, but isn't life more *exciting* under the Socialists?—Yours faithfully, A. C. STALKER
Purley, Surrey

Black Paper

SIR—I find your article headed "Black Paper—The Government has adopted the Tories' policy on Immigration" (August 7th) at once misleading and unhelpful. It is misleading because its facts are wrong and unhelpful because it concentrates solely on Part 2 of the white paper dealing with control and ignores almost completely paragraphs 32 to 78 which deal with the steps the Government are taking to promote integration.

First the facts:—

1. The comparison you give of the 1964 figures of 14,000 vouchers issued to Commonwealth citizens and 42,500 to immigrants is grossly misleading. It does not compare like with like either in relation to vouchers or to the total number of entries. Of the 42,500 aliens 19,000 were admitted for less than 12 months. In that same year 55,900 Commonwealth citizens were admitted under the Act. The difference is, of course, accounted for by the admission of families. A much truer comparison, however, would be to compare these figures with the number of aliens settled. This figure is about 20,000 per annum and is not, of course, confined to male workers.

2. On Malta, you completely evade what the white paper says. It is made quite clear that the special position of Malta is temporary and to be reviewed after two years. It is to be hoped that at the end of the two years these special arrangements will cease and Malta will thereafter be treated as any other Commonwealth country.

3. You say that *habeas corpus* will be denied to Commonwealth citizens who have lawfully spent fewer than 6 months or who have unlawfully spent up to 5 years in Britain. I can find nothing in the white paper to justify the statement that the Home Secretary can, for example, deport a voucher holder lawfully in this country before 6 months of residence are completed. What is proposed is that there should be power to deport a Commonwealth citizen unlawfully in Britain because he has evaded the requirements of the Act.

But the most serious criticisms of your approach are the implications first that the Government has adopted Conservative policy and secondly that the restrictive parts of the white paper can be judged in isolation.

On July 3rd, Mr Selwyn Lloyd, chairman of the Conservative Party Policy Group on Immigration said: "For at least a period of years we must see that no more come in than leave." Whatever else may be said for the white paper it has not gone back on the principle that a man should be entitled to have his immediate family living with him. If the Tory party accept the implications of the white paper, they will have advanced from their previously stated position, not held it.

But the most important part of the white paper, namely that dealing with integration, is dismissed in a few sentences. Part 2 cannot be viewed in isolation from Part 3, nor can Part 3 be viewed in isolation from the other measures to help integration already taken by the Government. The Race Relations Bill is a start, although its conciliation machinery needs extending to cover employment and housing. The Ministry of Education circular is also helpful. The measures proposed in the white paper—for example, staffing ratios, arrangements for special courses of training for teachers of immigrants, the possibility of extending the Birmingham Bill on multi-occupation, the financial assistance for local authorities to engage specialised staff and the co-ordination of the various voluntary authorities—all these you omit.

Taken together they amount to a formidable attempt to deal with the problem.

One cannot legislate away the prejudices of three centuries in nine months. All one can try and do is to make sure they are not exacerbated while one tries slowly and patiently to educate the British public into accepting that their prejudices are baseless and their fears are unjustified.—Yours faithfully, IVOR RICHARD
House of Commons, SW1

Vietnam

SIR—Now that President Johnson has once again escalated the American war of colonial aggression in Vietnam, surely it is necessary for *The Economist* (and others) to reconsider whatever support it has been able to give to the United States in the past.

When the French were kicked out, the 1954 agreement provided specifically that the two parts into which the country had been temporarily divided were to be reunited by elections to be held in 1956. These elections were never held because, as Eisenhower tells us, they would have resulted in a communist victory.

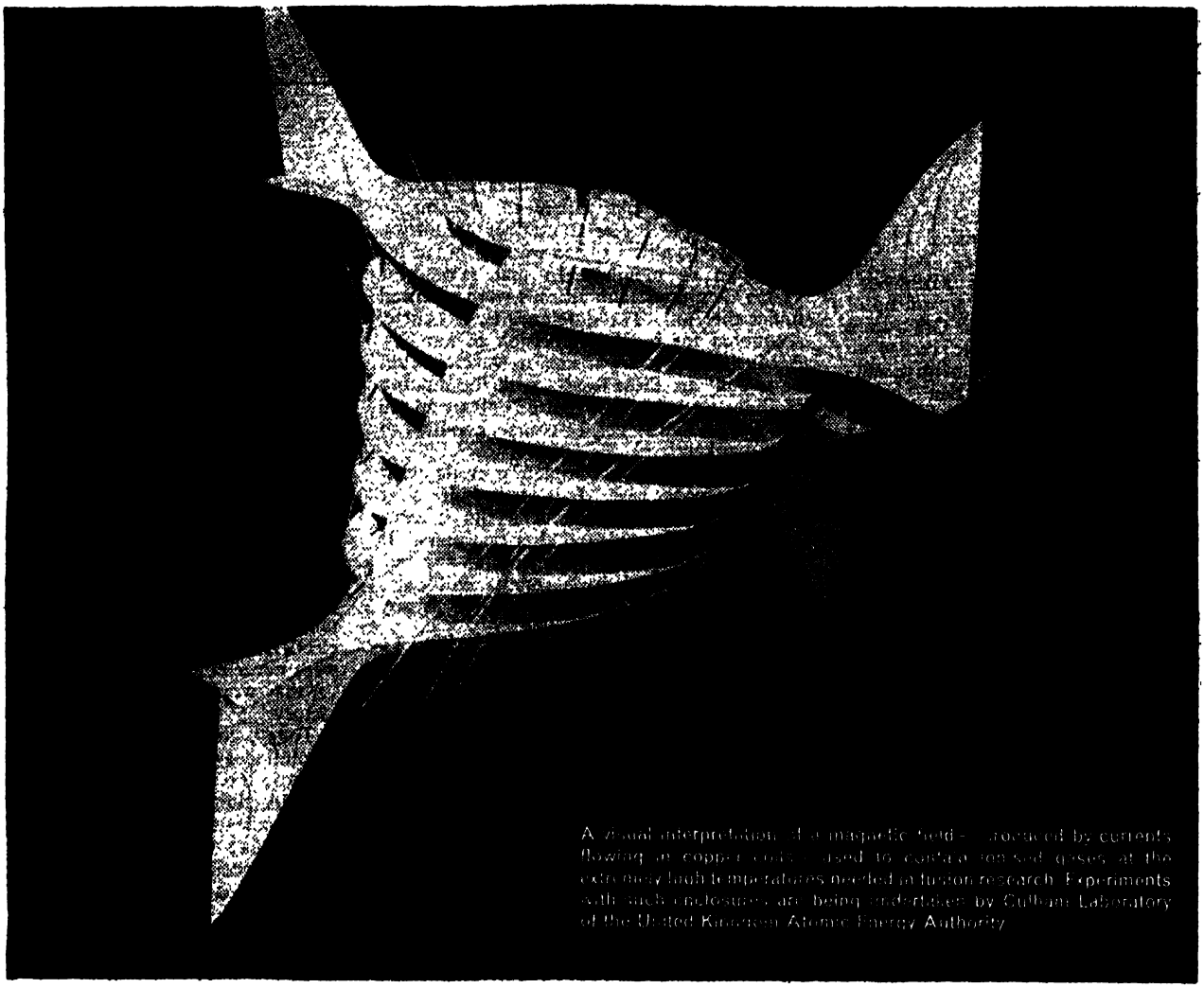
Today, the United States is a counter-revolutionary force allied in many countries to those forces who are keeping their people in subjection, poverty, and ignorance. The communists are winning simply because they are helping the poor peoples achieve their independence and have something else to live for except squalor and disease. The United States is far more interested in seeing to it that no progress is made in their condition unless it is done through the usual channels of capitalist exploitation or with due deference to American security. All this talk about fighting for freedom is so much poppycock. It is the communists who are helping peoples obtain their freedom and develop their countries.

The American people are being deluded about the monsoons. We are told that when the present monsoon is over, things will improve. Is that so? The current monsoon is that from the south-west. In October, the north-east monsoon will start. This will dump rain on the coastal plain where all but one of the American bases are to be found. In October alone, the huge base at Da Nang will receive as much rain as London will in all of 1965. In short, the position is likely to get worse rather than better.

The American position in Vietnam is not only completely illegal, amoral, and grotesque, but very damaging to its own security. The United States seems to be arguing that whenever its own interests are threatened, or assumed to be threatened, it has a right to intervene militarily.

The United States should mind its own business. The United States had its own revolution and its own civil war and other countries are entitled to the same. Even today, the United States is breaking international law by overflight of Cuba and China. Apparently the arrogant United States is entitled to do what it wants where it wants without any thought for the feelings of the countries involved. But other countries are not even entitled to select their own form

Continued on page 583



A visual interpretation of a magnetic field—produced by currents flowing in copper coils—used to contain ionised gases at the extremely high temperatures needed in fusion research. Experiments with such enclosures are being undertaken by Culham Laboratory of the United Kingdom Atomic Energy Authority

Together . . . Discovering the future

However unorthodox the shapes to symbolize the twenty-first century it can be certain that copper and its alloys will have contributed to their final development. Copper is a proved metal of the modern age and the resources of the Delta Group of Companies . . . Europe's leading manufacturers of non-ferrous metals . . . will be devoted to discovering new alloys and new applications to establish copper as a proved metal for the future.

THE DELTA METAL COMPANY LIMITED

EAST GREENWICH · LONDON · S.E.10 and DARTMOUTH STREET · BIRMINGHAM 7

EXTRUDED RODS AND SECTIONS : COPPER TUBES : WIRE

ROLLED PLATE, SHEET AND STRIP : CABLES

HOT STAMPINGS, PRESSINGS AND FORGINGS

GAS, ELECTRICAL AND SANITARY FITTINGS

PRESSURE, GRAVITY AND SAND CASTINGS

ENGINEERS' AND PLUMBERS' BRASSFOUNDRY : TURNED PARTS

SM/DG/DM. 15372

NON-FERROUS FIXINGS FOR THE BUILDING AND MASONRY INDUSTRIES

Continued from page 581

of government if that form happens to displease the high and mighty United States, now the leader of all those forces in the world seeking to keep the poor poor and the exploited exploited. Is it any wonder that the poor turn to the communists for help in their need?—Yours faithfully, GORDON V. AXON

New York

Australian Incomes Policy

SIR—Your comment of July 17th on the recent decision on the Commonwealth wage case under the heading "Australian Incomes Policy" is misleading in important respects. Australian arbitration awards are minimal only and a major problem of the post war period has been the growth of "over-award" payments (i.e. wage-drift). This problem was virtually ignored by the commission in its majority judgment. It also could not and did not deal with incomes other than wages. The decision therefore constitutes neither a wage policy nor an incomes policy. For an incomes policy it would be necessary, as in other countries, to have agreement between employers and unions. Compulsory arbitration probably retards the development of incomes policies in Australia because it is relied upon to solve problems that can only be solved by the parties themselves in association with governments.

Pending the development of such approaches general wage adjustment according to productivity increases does not have the clear-cut superiority over adjustment to price changes, plus adjustment for productivity from time to time, that your correspondent assumes. Professor Edwards and I have shown (*Economic Record*, June, September, 1963) that under Australian conditions the results in terms of price increases will commonly not be very different under these two methods of adjustment. It is unfortunate that the commission did not recognise this as there is no doubt that the trade unions are far more sensitive to cost of living increases than to any other factor. Professor Isaac, of whose ideas you speak with approval, has himself said (Australian *Financial Review*, June 30, 1965), "from the point of view of industrial relations it may be wondered whether a complete abandonment of concern for cost of living increases is entirely wise."—Yours faithfully, KINGSLEY LAFFER

Associate Professor in Industrial Relations,

Sydney, NSW The University of Sydney

South African Insurance

SIR—In his article on South African third-party motor insurance (July 24th) your Cape Town correspondent shows himself to be surprisingly misinformed.

The amendments to the Insurance Act were not "hastily conceived" after the Parity collapse but had been in hand for a considerable time prior to the Parity failure and therefore had nothing to do with this particular incident. It was coincidental that this legislation was passed in the session of Parliament immediately following the Parity collapse.

There is no question that other insurers "baulked at suddenly having to accommodate the horde" after the failure of Parity, to use your correspondent's words. At the time of Parity's insolvency (December 1964) the insurance market as a whole allowed ex-Parity policyholders a moratorium to effect fresh third-party insurance. Provided they did this they were automatically covered from the date of Parity's collapse. However, during the renewal period of April 1965 a number of companies were reluctant to provide the necessary cover on renewal. It was because of this situation that the Minister invoked section 24 of the Motor Vehicle Insurance Act.

The statement that the new third-party arrangements were "suddenly made highly attractive" and that a whopping 25 per cent profit has been guaranteed "to a few favoured companies" are nonsense. The 25 per cent is not profit but must cover the individual company's administration and commission costs.

"The worst criticism" of the new legislation, according to your correspondent, "is that Mr Schoeman selected his few companies not from among all those willing to undertake third-party business but from among a group of South African companies, prominently including some controlled by Nationalist supporters." He goes on: "This has been by far the most open act of discrimination yet shown against the British, Canadian, and Australian insurance companies in South Africa, though not the first."

The Department of Transport, in the light of what happened, wished to have a measure of control over companies transacting third-party insurance, and it was for this reason that only companies *registered* in South Africa could be chosen. South African companies must inevitably include some that are controlled by "Nationalist supporters," in the same way as British companies would include some controlled by Labour supporters and some by Conservative supporters. Apart from the South African financed companies in the consortium which are not "Nationalist controlled," there are four companies in the consortium which are wholly or mainly owned by overseas interests. These are the Commercial Union and Protea (part of the London Assurance group), two of the biggest British companies; the Netherlands Insurance (a Dutch company); and the Union and National (a New Zealand company). The consortium certainly does not include all the companies that are South African in origin.—Yours faithfully, R. PROCTOR-SIMS

Information Attaché,

London, WC2 South African Embassy

The Concord Charade

SIR—I refer to your statement (July 31st) that Concord will never be built and that this is the "consensus of opinion among men closely connected with the project." You will have seen the official British Aircraft Corporation statement which makes it clear that no-one closely connected with the project in BAC or in Bristol Siddeley holds this view. You will also have seen Mr Jenkins's specific assurance to Mr Angus Maude in the House of Commons on August 4th that there has been no change in Government backing for Concord.

Since BAC, Bristol Siddeley and the Ministry of Aviation, the only three British groups engaged on Concord, have all denied your allegation, and since, in the context of the article, it is clear that continued French backing is not in question, perhaps you will now identify the responsible group of men who form this "consensus of opinion."

Your readers will then be able to judge just how closely they are, in fact, connected with the project, and how much their views could justify your flat statement as of fact that "Concord will never be built."—Yours faithfully, CHARLES GARDNER

BAC, Weybridge Publicity Manager

Television Teaching

SIR—The support of *The Economist* is encouraging to those trying to pioneer a university or college of the air. As you rightly imply, it is important that such a university should enjoy status equal to that of more conventional universities and, without jeopardising standards, have the power to examine and make awards.

The National Extension College, which has carried out five of the six major experiments in Britain in this field, has found like Nottingham University that the most effective means of teaching the home student is to integrate television and radio with written work and face-to-face tuition. We have, in fact, gone further than the experiment reported in your issue of July 31st and linked broadcasts and full-scale correspondence courses. We shall be conducting two further projects on these lines this autumn with BBC television, with courses on Social Work and Modern Maths and expanding the experiment linking BBC radio and correspondence for the teaching of GCE "O" level English.

We would, however, disagree with you on the value *at present* of a separate ETV channel transmitting at peak hours. Until we are a two-television set society the family pressures to watch entertaining programmes at these times still prove irresistible to all but the most ruthless or lonely students. The follow-up research done by NEC on experiments so far shows that much the most popular viewing hour for ETV is from 7 a.m. to 8 a.m., when any sacrifice to be made is a personal one by the student alone.—Yours faithfully, JOHN C. GRIFFITHS

National Extension College, Cambridge

RETAIL BUSINESS

Monthly review of consumer goods marketing and retailing

Issue 90, August 1965 features:

BISCUITS · CLOCKS

FRUIT JUICES

Year's subscription £30; single copies £5 each

THE ECONOMIST INTELLIGENCE UNIT

Spencer House 27 St James's Place London SW1

HYDe Park 6711 ext 27

60 East 42nd Street New York NY 10017

Murray Hill 7-6860

PICTURE OF TWO MEN GOING DOWN FOR AIR

Rotary screw compressors powered the special Atlas Copco drilling equipment used for deepening Genoa's oil harbour – starting point of the new Central European pipeline.

Making the most of equipment to hand can produce startling results. Kenya, where improvisation is no forgotten art, is a case in point. Speedy action was needed to deepen Mombasa's harbour entrance to allow giant tankers to enter the port. What, then, more natural than to take drilling equipment already working ashore . . . and try using it *under water*.

So, two miles offshore, an Atlas Copco wagon drill was sunk some four fathoms to the seabed where a frogmen crew successfully put it to work. The portable compressor that became seaborne to power the unit was further used to fill the frogmen's own air bottles.

Normally, of course, this watery solution is not one to recommend. In contrast, Atlas Copco has introduced special equipment that does the entire job from the surface – without divers. And in deepening Italy's Genoa harbour, this new equipment saved the contractor 40 per cent in labour costs alone.

The reliability of the equipment at Mombasa and the advanced compressed air technology applied in Genoa, stem from Atlas Copco experience on construction sites, and in industry and mines the world over. And the benefits of this experience are an integral part of our service.

Atlas Copco

puts **compressed air** to work for the world

GROUP HEADQUARTERS · ATLAS COPCO AB · STOCKHOLM 1 · SWEDEN · SALES & SERVICE IN OVER 100 COUNTRIES

The Economist

AUGUST 14, 1965

What Are We Doing There? ... 585
Indonesian Fireworks ... 586
Vietnam: Military Options ... 587
The Price of Learning ... 588
Who Are the Estimators? ... 588
Pyrrhic Victory? ... 589

COMMENTARY ... 591
Holiday Politics; Kashmir; Dominican Republic; Capital Punishment; France and China; Aden.

THE WORLD
INTERNATIONAL REPORT
Murmur of a summer's day ... 595
Malaysia; Australia; Sudan; Ceylon; South Africa; Bolivia; Rhodesia; Germany; Brazil.
AMERICAN SURVEY
Labour's New Relationships ... 607
Magician in the Senate; Payments under Restraint; Water Everywhene . . .; Partisan Rights; Cars in Clover; Club Plane.

BOOKS
Chronicle of a Failure ... 613

LETTERS ... 581

BRITAIN
Democratic Monarch ... 618
Labour Relations; Shaping Up.

BUSINESS BRIEF:
More Hands or Fewer By 1970? 620

BUSINESS
Aluminium's Private Slump ... 623
Capital Attitudes ... 625
BRITAIN ... 628
Sterling; Trade Figures; Imperial Chemical Industries; Air Fares; In the Sale Rooms; Nigerian Gas; Shipbuilding; Paper; Little Jets; Building; Nuclear Power; Shorter Notes.
INTERNATIONAL ... 635
Italian Economy; Atlantic Pipe-dreams; US Shipping; Oil in Switzerland; Ceylon; World Reserves.
INVESTMENT ... 640
Japanese Market; London Market; Wall Street; Company Law; Interim Results; Electrical Companies; Showerings/Harveys of Bristol; Yearling Bonds; Associated Fire Alarms; Spanish Bourses.

Stock Prices and Yields ... 657

Annual Postal Subscription by ordinary mail UK £6; overseas £6 10s.
VOLUME CCXVI - NUMBER 6364

What Are We Doing There?

BANG goes Britain's far east policy. This first reaction to the split between Singapore and Malaysia has been perfectly justified. Willy-nilly, protecting the integrity of the Malaysia federation had become just about all the far east policy Britain was capable of, and bang the federation went. Whether Sarawak and Sabah (North Borneo) would now break away was not much to the point. It could be claimed as a famous victory by Dr Sukarno, however little he had done to win it, and it is a famous defeat for Britain, as well as for both Tunku Abdul Rahman and Mr Lee Kuan Yew.

How did it happen? Not, as the Tunku suggested, because Singapore's political leaders had swelled heads, but because they had resisted the campaign of misrepresentation, and more recently of drastic threats, directed at them by the Malay extremists at the Tunku's back. To say that is not just to reopen now irrelevant wounds. It is to say that the assumptions on which the federation was founded two years ago were incorrect. Not that disaster was inevitable. Malaysia was a rational idea, which might well have worked. The reason it did not was that there simply was not enough goodwill around. (On page 596, a special correspondent suggests that the severed parts may come together again surprisingly soon, though on a different basis.)

Which brings us back to the immediate reaction. If Britain's far east policy has exploded, for goodness sake let nobody think the only correct response is to pick up the old pieces and try sticking them together again. The policy that Britain has developed since 1963 was not a deliberately chosen one. It was forced upon this country by President Sukarno's need for diversionary external quarrels. We had to fulfil our commitment to Malaysia, which, once created, had the same right to exist as any other state. But Britain and the other consenting parties did not create Malaysia so that they could have the privilege of struggling to preserve it. Nor did they create it because it was an ideally good thing in itself. There was no inherent economic necessity to make one state out of the four units that became Malaysia, no peculiar virtue in thus uniting the races which were already living cheek by jowl in those units.

Malaysia was devised as a solution to several specific problems. The basic one was that, as the 1960s opened, Singapore was clearly on the way to independence. In 1961 this began to look as if it would mean giving independence to a government of Chinese race and communist orientation. The Malayans happened to have achieved independence a few years before after a decade spent in fighting communists of Chinese race. The British happened to have a whopping great base, which they wanted to keep, in the island that a pro-communist government might thus control. So Malaysia was dreamed up, with the Bornean territories brought in, willingly enough, as a racial makeweight against a predominance of Chinese.

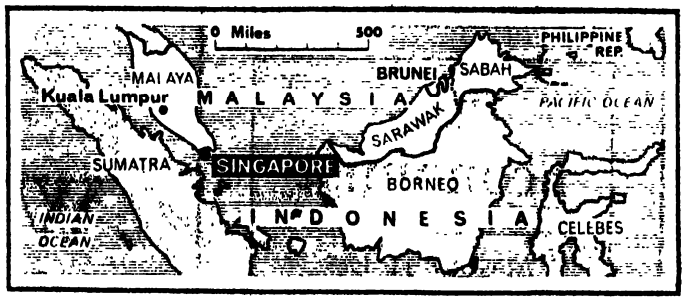
So the Singaporeans got independence, which they wanted. The Borneans got independence, which they said they wanted. The British, who had been wondering how to shuffle off the Bornean colonies, were happy enough to see them become part of an economically viable unit. Britain also kept its base. The Malayans got Malaysia plus the somewhat negative consolation that what they had feared did not happen. President Sukarno, having just extended the benefits of Indonesian rule to West Irian, got a timely new Aunt Sally.

Of all the original reasons for creating Malaysia, the ones that remain valid

from the British viewpoint are the desire to see the Bornean territories safely into independence, and the desire to keep a Singapore base for as long as it is strategically useful. There also remains a commitment to defend what is left of Malaysia, and, as things stand, to defend independent Singapore too. This means that if President Sukarno chooses to continue his "confrontation" we shall be forced to carry on what will be, in practice, the same policy as before. To the extent that confrontation does not spring solely from the British presence in Singapore, Britain should therefore need the base there to defend specific local territories against a specific Indonesian threat, even if the rest of Asia did not exist. On Thursday, the Singapore government ruled out future use of the base for general Seato purposes.

But suppose Dr Sukarno did stop "confronting" Malaysia (which might just happen if the Bornean territories were to separate from Malaya), and suppose those who now rely on Britain for defence were to believe him (which is not likely, but not impossible). This would raise the question: how much interest we still had in retaining the base—granted that we cannot evacuate it next week, but assuming also that Dr Sukarno would settle for a gradual phasing out such as was envisaged at his Manila meeting with the Tunku and President Macapagal of the Philippines two years ago.

This is the question that should occupy Britain now. For a short time we may have the chance of actually choosing a far east policy, instead of having one forced upon us by open-



ended treaty commitments and the ambitions of a dictator. Just how necessary is it that Britain should be in a position to restrain Dr Sukarno or his—quite possibly communist—successors? What part ought Britain to play in containing China? Or in defending certain bits of a Commonwealth on which the sun never sets, as our wretched defence planners are only too well aware? Or in trying to curb nuclear proliferation by setting up a joint nuclear force with the Americans in the Pacific or Indian Oceans? And how far will military bases in Singapore—or Malaya or Borneo—help us?

It may well be that we shall be right to choose what we chose before, or that Presidents Johnson and Sukarno, between them, will choose it for us. But the long-term argument for running the Singapore establishment down into a purely local centre of operations is now reinforced. So let us at least attempt to choose—and not pre-empt our choice by acting as if what was true last week was necessarily true this.

Indonesian Fireworks

A ROCKET that carries a payload of scientific instruments can just as easily carry a nose-load of explosive and President Sukarno might not be displeased if Indonesia's neighbours were to draw this inference from the successful test rocket launch claimed last weekend. The Indonesians, to do them justice, have not said this was any more than a sounding rocket—a superior sort of firework that shoots instruments to the edge of space and drops to earth as the fuel runs out. These have no guidance and are as liable to fall back on the heads of the men who launched them as they are to land anywhere else; they cannot be described as remotely military and Britain has shot off more than 100 of them in the past eight years. Some Indonesians are even saying now that they bought theirs from Japan.

But a country like Indonesia does not conduct research into the more esoteric aspects of the upper atmosphere on a level of sophistication that calls for sounding rockets. President Sukarno has acquired missiles like this because he has not the resources to do anything else. Any reasonably competent engineer can knock up a passable rocket out of some sheet metal and a few gallons of alcohol—precocious schoolboys have done it in this country. The catch comes in getting it to go more than straight up and down. This requires electronics of the most advanced kind, including miniature computers and gyros for inertial guidance.

The Nato countries have been content, with the exception of France, to put their trust in the rocket expertise of the United States. The French have the most comprehensive rocket programme outside the United States and Russia, not all of it going well. Britain, with a limited space programme based on Skylark sounding rockets and the slightly larger Black Knight, plus some anti-aircraft missiles, comes a long way behind. Non-Nato countries like Sweden and Switzerland have felt forced by their position to do some not very extensive development of tactical—and non-nuclear—guided weapons which do not make a great deal of sense because the quantity of high explosive they can deliver hardly justifies the trouble of making the guided weapons. Japan's research rockets—if they were given to Indonesia—are decidedly elementary, the ambitious satellite-launching ones are still in part on paper.

The Middle East, on the other hand, is a hotbed of missile research, fortunately not very fruitful. Since 1962, Egypt has been parading a variety of rockets big enough to have ranges of 400 to 600 miles, recently the Lebanese army has claimed similar ones under development. In spite of the German technicians employed from time to time in Cairo, it is difficult to find anyone who believes the Egyptians are able to guide their rockets, and without guidance they are no more use than an artillery shell. There are signs that the Egyptians are thinking of compromising with much shorter-range rockets at the half-way stage guided by wires paid out as they fly. This works splendidly for anti-tank rockets with ranges up to two miles, less well up to five miles and thereafter it ties itself in knots. But it could make Egyptian rocket research a little less of the joke it is now. The work done in Israel is another matter; sounding rockets were first fired there four years ago; developing military versions has proceeded ever since and no-one doubts that the country has the skill to make guidance systems. And where the majority of nations would regard guided missiles without nuclear warheads as just not worth the trouble, governments whose defence problems resolve themselves into a series of confrontations, as they do for the Middle East and for Indonesia and Malaysia, attach a propaganda importance to them quite out of proportion to their actual ability to hurt an enemy. And President Sukarno knows well that nobody is impressed by claims to make an atom bomb unless they are also accompanied by claims to have a means, however unsuitable, of delivering it.

Vietnam: Military Options

DESPITE President Johnson's attempt to involve the United Nations in the conflict in Vietnam and the weekend visit to Washington of Ghana's foreign minister, the crisis continues to escalate. On August 3rd the Vietcong's National Liberation Front appealed for the first time for open intervention by North Vietnam; on August 8th a Chinese government statement renewed the threat of sending in Chinese troops to confront "American aggression." Fighting on the vital Highway 19 between Pleiku and the Cambodian border has been growing in intensity. What are the forces confronting each other and the strategic options open to them?

1. **The terrain**—In South Vietnam there are two areas of paramount military importance: the delta of the Mekong river and Saigon, and the central highlands area in the provinces of Kontum and Pleiku. The first contains the country's capital and produces most of its rice. The second provides the easiest access for men and supplies coming from North Vietnam down the "Ho Chi Minh trail." There has also been some guerrilla infiltration through Cambodia, but this involves a considerable detour.

2. **The forces.**—The Vietcong guerrilla forces number between 150,000 and 200,000, of which 64,000 are "hard core" and the rest "part-time." In addition, one North Vietnam regular division (the 325th) and most of another are at present fighting south of the border (one division = some 10,000 men). Hanoi possesses an army of about 250,000 men, and there have recently been signs of a massive call-up in the north. South Vietnam forces number 500,000 and Saigon has announced its intention of increasing them by 100,000. There are at present 75,000 American troops in Vietnam. These are to be increased to 125,000, and are at present concentrated in and around bases (see map). A high proportion of these troops have been engineers engaged in constructing ports, airfields, etc., but now the proportion of combat troops will increase. Most of the fighting is still being done by the South Vietnam army.

3. **Possible American strategies.**—After the monsoon is over—from about September 15th onwards, but varying according to latitude—American and South Vietnam forces seem likely to go over to the offensive, since a piecemeal use of American forces to beat off Vietcong attacks would be uneconomic. The alternatives open to the United States, at least in theory, are as follows:

(*a*) An attempt to cut the "Ho Chi Minh trail" by establishing a zone of massive occupation and control stretching westwards from Danang into Laos itself. This "straight cut" strategy would raise political difficulties and would require more troops than have up to now been made available.

(*b*) An occupation of the central highlands area intended to plug the main entry point from North Vietnam. This would mean operations designed to control Highway 19 to the Cambodian border.

(*c*) The "expanding perimeter" strategy designed to link up existing American bases. The disadvantage of this is that it would not cut the supply route from the north until some time after it had been put into effect.

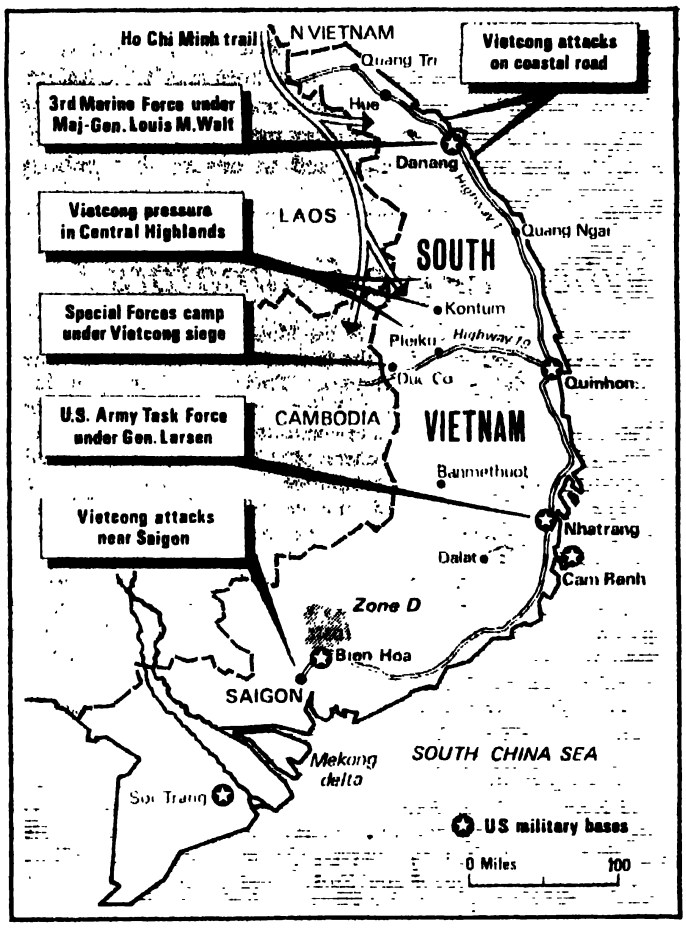
(*d*) Operations aimed at clearing Vietcong forces from the delta area and around Saigon. Vietcong forces in this area are significantly weaker than in the central highlands, and support by North Vietnam regular troops is excluded. The terrain, however, is particularly difficult and the area is one of old guerrilla infestation.

The position of the American bases and the number of troops available seems for the moment to exclude the "straight cut" strategy and "expanding perimeter" strategy, but the main American supply port at Cam Ranh is well placed for supporting operations in the central highlands. It seems likely, therefore, that this area will be chosen as the scene of the Americans' main effort after the monsoon, and there are already reports that their First Cavalry division is to be moved up to Pleiku. Such a strategy would not exclude operations in the delta, but there is little point in undertaking these without first cutting the northern supply route. The fighting now taking place between Duc Co and Pleiku is symptomatic of the crucial importance of Highway 19.

4. **North Vietnamese intervention.**—There have been signs recently (mobilisation in the north and the Vietcong's open appeal for help) that this may become a real possibility. Either more northern troops may be sent to join in the guerrilla war in the south, or there could be a conventional attack southwards in the hope of winning a prestige success that would bring about the collapse of the Saigon government. But the American build-up in the south already seems to have gone too far for the latter move to have much hope of success. A very large number of porters would be required to supply the operation, and American air power has increased so greatly since the 1950s that it would hardly be possible for Hanoi to use manpower as it was used by the Chinese in Korea.

5. **Chinese intervention.**—In the event of the Chinese building up forces in North Vietnam, the United States would probably increase the bombing of the north and might consider other moves such as the seizure of Hainan island (which is part of China). But the distances involved make it unlikely that the Chinese could intervene in South Vietnam without a long (and detectable) build-up.

There are signs that both the Vietcong and the regular North Vietnam troops fighting in the south are finding the pressure on them growing unbearably. Recently Vietcong forces in the delta appear to have been activated in an effort to draw American troops away from the central highlands, and the total Vietcong killed amounted to 3,000 during July. More significantly, the number of battles fought by the Vietcong dropped from 80 in June to 46 in July. A weakening of Vietcong strength would pose a problem for Hanoi which it might be tempted to solve by an act of desperation. The alternative would be for the North Vietnam government to admit that its policies are bringing about the exact opposite of what was intended. Six months ago a negotiation would probably have ended on very favourable terms for Hanoi. Now that is not necessarily so.



The Price of Learning

The universities' hopes of growth have been damped by Mr Callaghan. During the delay there is time to think again about higher education

THE universities of Britain are engaged on the greatest expansion in their history, and they have not enough money to carry it through at the standard to which they are accustomed. This was true when the Estimates Committee completed its valuable series of conversations (see below) with the university world. It is truer still since that Tuesday two weeks ago when the Chancellor of the Exchequer announced that no new contracts for buildings for universities or colleges are to be signed for six months, outside the development districts.

No doubt there are plenty of signed contracts to be going on with; and no doubt plenty of others will be brought up to the point where they are ready for signing sharp on the expiry of the six months. But Mr Callaghan's measures will stamp on the morale of the vice-chancellors who have been straining to meet the targets set them in the Robbins report. Many people in the universities, who believe that expansion was going too fast anyway, will be glad. But those who accepted the arguments of Robbins had better start thinking seriously about what should be done.

The first question to start asking is about those "accepted standards of university education" whose maintenance the Estimates Committee assumed as a first principle. Standards of what—of education, of scholarship, of accommodation, of administrative efficiency? These four things should be assessed in relation to each other. But those inside the university forest naturally cannot see the wood for the trees; and the unique system whereby the state provides British universities with their money is designed to ensure that nobody outside is allowed to try. Each institution has its charter, and the academic freedom of all of them is defended against the outside world by the University Grants Committee.

Since 1951, as the Estimates Committee records, the number of university institutions under the sway of the UGC has risen from 24 to 44. The amount of money whose disbursement it guides has risen in those years from £23.5 million to £193 million. The committee has done its gallant best to keep up with the times. It now works hand in hand with the Department of Education and Science, which provides it with certain services. But its form has remained unaltered while its function has been entirely changed, not just in size but in kind. It used to keep some old-established organisations ticking along. Now it must guide the transformation, or the creation, of many entirely new organisations. All proposals for strengthening the UGC would in fact empower it to intervene in the universities' private affairs; which is exactly what its existence is supposed to prevent anybody doing.

The real weakness, and what should be the real cause of public concern, is this. The UGC watches the spending of every *extra* penny that the universities get, or at least it does its best to, and deserves some sympathy when its attempts prove abortive. What it cannot do, without infringing the principal of academic freedom that it is designed to preserve, is to look closely at the universities' established pattern of spending. Is this university paying a professor of Greek to teach that admirable discipline to five undergraduates who would do better to learn it where there is a Classics faculty of fifty? Is that university working on a million-pound

Who Are the Estimators?

The Estimates Committee of the House of Commons last looked at the finance of universities and colleges in 1951. Their new inquest* was conducted between February and May by a sub-committee drawn from the 42 back-benchers, plus Sir Edward Boyle, on the full committee.

The committee received memoranda from the Department of Education and Science; the University Grants Committee; the Treasury; the Committee of Vice-Chancellors and Principals; the Department of Scientific and Industrial Research; the Ministry of Health; and the Royal Institute of British Architects.

The sub-committee met fifteen times to hear oral evidence, given by representatives of the above bodies, by the leading spokesmen of the universities of London and Kent, and by a chartered accountant, two chartered surveyors, and a consulting engineer. It visited the universities of Edinburgh, Birmingham and Sussex, and the Birmingham College of Advanced Technology which has now become the university of Aston.

The evidence of this distinguished hotch-potch of pundits on university matters is contained in 280 close-printed pages. It is a mine of useful information. But a good many surprising questions remain unasked. Why?

The answer is that the questioning was done by a panel of between seven and three back-bench Members of Parliament, under the chairmanship of Sir Henry d'Avigdor-Goldsmid: and there is no reason to suppose that backbench MPs are particularly qualified to know what question to put to a witness so impressively grounded in his subject as many of these were. Even barristers have to be briefed.

It would be a pretty daunting prospect for anyone, let alone any amateur, to cross-question Sir Robert Matthew of the RIBA on his statement that: "Architects' fees for university work are dangerously low, and . . . no reduction in them is possible." Or, for that matter, to press Sir John Wolfenden of the University Grants Committee on the study/bedroom unit formula for halls of residence.

The upshot is that the estimates committee, while making some useful suggestions, makes in effect the same ones as are dear to the hearts of the university administrators who appeared before it, and who have other platforms on which to make them. There are civil servants who claim that the Estimates Committee will always ask for more money for dons, if the dons appearing before it ask for more money. The Public Accounts Committee has behind its findings the heavy and expert spade-work of the Comptroller and Auditor General and his department. Its report† was not especially obliging to the universities.

* Fifth Report from the Estimates Committee. HMSO. £1 8s. 0d.

† Third Report from the Committee of Public Accounts. HMSO. 3s. 6d.

scheme for halls of residence, when whole streets of scruffy residences could be hired in term-time—perhaps bought outright, and profitably rented off during the vacations—for half the sum? If such questions are not publicly asked, and satisfactorily answered, how can the universities justify their claim to the money? Their job, they fully agree, is not to solve short-term problems. It is to educate people for a better world. But the short-term problem is extremely grave. In particular the need for trained manpower to bring about all the structural reforms of the economy is increasingly strong.

It is both necessary and possible to increase, in a discriminating way, government spending on the sort of post-school education that will yield its short-term (and long-term) return in a very few years' time. This type of education is snobbishly classed as "further" rather than "higher" education: it is what goes on under the aegis of the local authorities. Until this spring it was also what went on in the Colleges of Advanced Technology, under the direct care of the Department of Education. The CATs, all ten of them, have now been granted charters of their own, and removed into the UGC's sphere of influence, out of that of the government itself. This was done for a good reason—that these colleges could not acquire "parity of esteem" with the universities until they had been transformed into universities. The change cannot now be undone. And the CATs are likely for some years yet to keep the bias towards immediate usefulness that they started life with back in 1956.

So what is to be done, when the six-month squeeze (one hopes) is over, and the spending can start to rise again? The first principle should be that one does not buy another Rembrandt until one has a decent room to put it in: the decent room can only be afforded by a sound economy, whose establishment depends in large measure on the progress of the more vulgar sorts of applied education. So the increases in spending should be concentrated on the technical colleges whose role in the process of modernising the economy has been so much increased by the sound provisions of the new Industrial Training Act.

It happens that the Robbins report underestimated both the demand for places in the colleges and the colleges' capacity to meet it. The number of students doing degree-level work was 39,500 at the start of this academic year—two years ahead of the Robbins targets for expansion in this sector. And the building programme in the colleges has gone up from £17 million last year to £26 million this year—a rate of expansion slightly faster, although far smaller in total, than that of the universities. A rather small reduction in the rate of increase in spending on universities, and a corresponding switch of resources to the colleges, would do the colleges a disproportionate amount of good. Because the colleges can be made to take a higher proportion of non-residential students than the universities, a given amount of capital investment in the colleges will secure a greater amount of teaching plant. The economic case is overwhelming for shoving ahead with development of this side of post-school education, as distinct from the universities proper.

There remains one final suggestion. When the Secretary of State for Education announced this year that no more new universities would be started in the near future, he was clearly right. If the universities are to expand, it can be done most economically by having fewer but bigger ones. But Mr Crosland said that an exception might be made for north-east England. For the north east a new idea might be tried. This region still needs a straight economic boost, which could receive a formidable push if technological further education were to be especially favoured there. The right thing to do would be to build on the foundation of the already very good technical colleges in Middlesbrough and Sunderland, and to establish there an institution that could, with special favours from the government but without the mystic aura of university status, achieve the sort of high-level prestige that the old Colleges of Advanced Technology were once supposed to aim for but never had time to attain.

The fundamental trouble with degree-level education in this country is that the British are apt to hold in snobbish contempt anything that actually looks useful. The way to change this is to try for a sort of education that is not only unashamedly useful, but also visibly very good indeed. Other countries have shown that this can be done. Why not Britain, and why not start trying in one place—now?

Pyrrhic Victory?

In his contest with King Constantine, Mr Papandreou now seems likely to come out on top in the end—but what use will he make of his victory?

When, by misfortune, misjudgment or plain malice, it comes to a direct confrontation between crown and people in a constitutional monarchy, then the crown must give way. In Greece, behind all the political passion, principle and prejudice, this is what the present crisis has come to be. King Constantine has tried twice to get some leader of the Centre Union other than Mr George Papandreou to form a government; both his nominees have been rejected by their own party. On Thursday morning there were signs that Mr Papandreou, influenced by signs that the party was dissatisfied with his intractability, was preparing to be more conciliatory. But if this comes to nothing, the king's room for manœuvre is now desperately narrow. He may try to form a government of national unity under a non-political personality. If he succeeds this will give him only a breathing-space. If he fails and if he then rejects—as one hopes he will—any suggestion that he should impose his will with the help of the army, he will find it increasingly hard to evade the alternatives offered him by Mr Papandreou: either his own return as prime minister, or immediate elections. The first would go far to

destroy the king's prestige; the second could destroy the monarchy itself.

Mr Papandreou's tactic of presenting the crisis as a contest between king and people—with himself as the people's champion—has paid off. It is misleading, all the same. Since his accession nearly eighteen months ago King Constantine has seemed genuinely anxious to preserve the constitutional proprieties. In his efforts to resolve the present crisis, he has been careful to consult all the party leaders, not excluding the leader of the pro-communist EDA, Mr Passalides, whom King Paul had refused to consult during the latter years of his reign. And in asking in turn Mr Novas and Mr Stephanopoulos to form a government he was exercising the limited discretion which Greek constitutional practice accepts.

Where the king tripped up was in ever letting himself become involved in a quarrel with his prime minister in which he could be represented as trying to rule as well as reign. (And it was a miscalculation amounting to madness to give colour to this version by dramatically dismissing Mr Papandreou without giving him time to resign.) However strong his conviction that Mr Papandreou's attitude towards the army would damage and weaken it, he should have remembered that nothing is more likely to set a country like Greece by the ears and undermine its political stability than a row between the government and a king who is seemingly trying to throw over his constitutional traces.

More than one hundred and thirty years ago, a foreign monarchy was imposed on the newly-independent Greeks in an effort to give them the political unity and stability which they could not supply themselves. Ironically, however, for the past fifty years at least, the monarchy has itself provided the most divisive issue of all. The present king's grandfather was twice exiled, and his quarrels with the Liberal statesman Venizelos left a bitter legacy. His son, George II, was also exiled by his subjects in 1923, and when he was brought back twelve years later it was to acquiesce in the Metaxas dictatorship. Finally, during the reign of the present king's father, the anti-monarchical feeling was fanned by his German queen's meddling in politics. Burdened with this heritage, young King Constantine should have done all he could to lift the monarchy out of the political arena once and for all. Instead, within eighteen months he has managed to make it yet again the central issue in Greek politics.

But Mr Papandreou is by no means blameless. He might have smothered the crisis at birth, without any loss of public prestige, by giving way over the defence ministry. This would have been the statesmanlike thing to do. Instead he chose to rally the country behind him and positively to encourage a head-on clash between king and people. His motives can only be guessed at; but what one guesses is that he could not resist the temptation to exploit the conflict in order to strengthen his own position.

Although he is now tremendously popular, his position has for some months been getting less and less easy. He is not as popular within his own party as in the country. The Centre Union, which won the rare distinction (in Greek politics) of gaining an absolute majority in the last elections, is not so much a party as a group of factions who combined largely in order to gain power. Before the present crisis swung most of them behind Mr Papandreou again, they were growing hard to manage.

Moreover, as happens to many politicians of the centre, Mr Papandreou's policies provoked tiresome sniping from both extremes. He has been attacked from the right for his admirable restraint over Cyprus, and for restoring to the communists their liberty and a degree of freedom of expression; and from the left for not legalising the communist party and not pushing ahead faster with social and administrative reforms. His measures to redistribute the country's wealth have increased his popularity, but have not strengthened the economy: a period of economic difficulty is probably just around the corner. So for him, the present crisis does not come wholly amiss. Whether or not that judgment is unfair to Mr Papandreou, it is certain that the fair prospects of little more than a year go have been dimmed.

If the crisis drags on, the immediate danger would be a right-wing takeover by the army. But a more insidious long-term danger lies in the boost that the crisis has already given, and will continue to give, to the extreme left. Presumably, Mr Papandreou realises the dangers of confusing demagogy with democracy. But he has made skilful use of the mobs demonstrating in his favour in the streets of Athens and outside the parliament building; and a major part in manning and directing these crowds has been played by the communists and their supporters. It could be that he and the king between them have done far more to bring about a popular front than the communists could ever have done by themselves. And in a country where political passions run so high, any big shift towards either extreme would mean goodbye to all hopes of stability.

Now Greece's constitutional foundations have been cracked. Unless there is a real revolt against Mr Papandreou within his own party, it seems most likely that eventually he will emerge as victor, and if he does, the question will be what use he makes of his triumph. With his own prestige enormously enhanced, will he be enough of a statesman to see the importance of bolstering up the king's? Will he be prepared to compromise over the defence ministry, to save King Constantine's face as much as possible, and, above all, to put off elections until passions really have died down? If he is not, his victory could prove a Pyrrhic one. It is not the men of the centre but the extremists who stand to gain if Greece's present institutions, imperfect as they are, are allowed to get completely fouled up.

USA

EIU Quarterly Economic Review

Events in Vietnam as well as the steel strike threat have raised questions about the US economy in the latter part of 1965. This Review analyses their possible effects, and tries to assess the chances of further economic growth in the next twelve months. The Review also takes a close look at the recently narrower payments deficit, and at its long-run implications; and against this background it discusses the latest US initiative for a world monetary conference.

Details and subscription rates from:
THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St James's Place London SW1 HYDe Park 6711 ext 27
60 East 42nd Street New York NY 10017 Murray Hill 7-6850

COMMENTARY

HOLIDAY POLITICS

Lib-Lab . . .

THE Liberal MPs have under six weeks to decide which horn of their dilemma to stick on. By the time they face the Liberal Assembly at Scarborough Mr Grimond and his Swinging Nine will have to choose whether to prop up the Wilson Government, or whether to let it sink. Mr Grimond would probably deny the choice, and argue that so long as Mr Wilson has a majority over all parties in the Commons then the Liberals cannot get him out, even if they wanted to. But this would be disingenuous. Mr Grimond must realise that, on any dark night, Labour's majority could disappear under the wheels of a No 11 bus. If Mr Grimond does not see this, Mr Wilson certainly does. So long as the Liberals spend at least half their time voting against the Government (as they did on the Finance Bill), Mr Wilson has to assume that he will probably need to face an election within the next twelve months. If, on the other hand, he could be sure of reasonably consistent Liberal support, then he could plan for another two years in office, with all the chances this would afford of waiting until Labour's prospects are much more bullish than they are likely to be this winter or next spring. Over to Grimond.

This is not to say that he need think about a formal deal. From the shores of Scilly, Mr Wilson has scotched that idea, and presumably for the same reason that Mr Grimond would: neither of them could carry their parties with them. Memories of 1931 still rankle with Labour and anything smacking of formal coalition is anathema to it. What has long seemed feasible is an unwritten, even unspoken, agreement that if Labour drops steel, pays some tactful attention to Liberal feeling, and sticks to those economic and social reforms which are also on the Liberal agenda, then the Liberals would find themselves in the Labour lobby much more often than not.

The trouble is there are signs that some Liberal MPs could not stomach even an arrangement as nebulous as that. Mr Grimond may see the Liberal party as a non-Socialist party of the Left, Mr Lubbock and Mr Steel may depend on Labour voters supporting them to keep out the Tories, and the Liberal Assembly may make radical noises, but there is a strong rightward-leaning movement in the Liberal party. Steel nationalisation is not the only Labour policy opposed by the Liberals. Many have doubts about Labour's land proposals, and they all fought parts of the Finance Bill as hotly as the Tories.

. . . or Lib-Con?

IT is now being suggested that Mr Wilson could tilt the Liberals his way by offering them an electoral reform, the "alternative vote"—by which is meant, it seems, the single transferable vote in existing single-member constituencies. The argument is that, in the 1964 election, this voting system would have given more seats to both Liberals and Labour. Maybe, but have they bothered to look back at other elections? Mr David Butler has estimated that, in the 1959 election, the alternative vote would have given just four more seats to the Liberals, and ten more not to Labour but to the Tories. Mr Butler's figures suggest that the alternative vote would have changed the result of only one general election since the war: in 1950, it would have made the Tories the biggest single party, instead of Labour, but without an overall majority. With the *Daily Telegraph's* Gallup Poll putting the Tories 7 per cent ahead and the *Daily Mail's* National Opinion Poll 3.7 per cent, the single transferable vote would probably produce an added anti-government swing.

More than that, have either the Liberals or Labour really thought out even the basic mechanics? Is the "alternative vote" tolerable to public opinion if it makes second choices equal to first choices? Or do the weighty Lib-Lab strategists adhere to the system of the Chevalier de Borda? Would they, in fact, keep the existing single-member seats or switch (as Sir Winston Churchill once wanted) to multi-member constituencies in the cities? There is good cause for the Speaker's conference to make a proper study of voting systems, but until a lot more people have done their homework this is one issue on which second-string, holiday-relief political thinkers should kindly shut up.

KASHMIR

On Their Own Heads

WHAT is really the trouble in Kashmir now? Part of the Indian version of the latest events, the charge that Pakistanis have been infiltrating across the cease-fire line, has the support of the United Nations observers. The Pakistani version, that the inhabitants of the Kashmir valley on Monday "rose in revolt," is unlikely given the number of Indian troops there, and not made likelier by the fact that only slightly milder reports appear in the Pakistani press about once a month. But India's claim that complete calm has reigned among the local people this week is just as unlikely. Monday was the twelfth anniversary of the first arrest of the Kashmiri opposition leader and former prime minister, Sheikh Abdullah. Riots and police shooting greeted his third arrest, in May, when he returned from a trip abroad. Since then there has been a campaign of civil disobedience in the valley. Demonstrations were expected on the anniversary, and to be assured that none happened invites scepticism.

What certainly has happened is that the Pakistanis have grown sick of waiting for Indian attitudes to soften. They were told last autumn that India would like the dispute kept on ice while Mr Shastri settled into office; but New Delhi then initiated a whole series of measures that tended to integrate Kashmir ever more closely into India. Indian leaders have vied with each other in declaring the state's future settled for ever. The bulk of politically conscious Kashmiris have seen their hopes, raised when Abdullah was set free, dashed by his new arrest, while a state government advertised as a "liberalising" one detains political workers and bans newspapers.

It is very wrong to cross cease-fire lines because people won't come to an amicable settlement. It is rather less wrong to demand by riot what you cannot demand by vote. But, as the British learned in Ireland, all sorts of wrong things happen when those who preach democracy don't practise it. The Indian government deserves little sympathy for its troubles in Kashmir and it will probably get less.

DOMINICAN REPUBLIC

Calling the Tune

EVEN those who still believe that the Americans were wise to intervene in Santo Domingo must feel slightly awed by the recollection that they once presented General Antonio Imbert Barreras as their compromise hope. Ever since, they have been trying to get him to accept a compromise. Now, persuasion having failed at length and demonstrably, the United States is applying the stick. On Monday, the three-man peace mission led by Mr Ellsworth Bunker came up with an imposed solution and the warning that, unless it was accepted, the United States would give General Imbert no more money to pay his soldiers or anybody else. It has paid the general's bills for May and June; now, it has jibbed at settling the July payroll too.

Mr Bunker's terms mean accepting Dr Hector Garcia Godoy as interim president until elections can be held (optimistically, the proposed date for voting is within nine

months), accepting an Institutional Act which provides a transitional constitution, and, the hardest nut to swallow, accepting an "Act of Reconciliation." The reconciliation terms include an amnesty for all political prisoners, and the right of "rebel" soldiers to return to their regular units if they want to. Anybody who wants to leave the country should be helped to do so. The City district controlled by the besieged "rebel" forces under Colonel Caamaño would become part of the "security zone."

Both sides have received the proposals with reservations. But time has been eating away at Colonel Caamaño's bargaining strength, and his supporters cannot survive the siege indefinitely. The threat of being cut off without a dollar has already taken some of the stuffing out of General Imbert; last weekend his representatives for the first time consented to meet "rebel" delegates round a conference table. Although his junta has huffed indignantly at the idea of a solution being imposed, it will have to give in unless the general has managed to salt away large private reserves. But the actual carrying out of the peace terms is a different matter. The inter-American peace force could have a genuine job on its hands if it sets out to prevent any artful, and possibly brutal, dodging.

CAPITAL PUNISHMENT

Agreement in Sight

A TEST of strength between Lords and Commons over the bill abolishing the death penalty is now unlikely. For this unexpected prospect of agreement thanks are due to the Lord Chief Justice. In committee he had urged, and obtained by a majority of two votes, an amendment that would have given the court discretion to sentence a murderer to a fixed term of imprisonment instead of the indeterminate "life." To meet the objections to this proposal Lord Parker last week substituted another amendment, which keeps "life" as the mandatory sentence for murder but allows the court to declare the period it thinks should elapse before the Home Secretary releases a murderer on licence.

Thus, the final responsibility for release remains with the Home Secretary: he will not be bound, as he would have been by the original amendment, to keep in gaol, at considerable cost, a man who can safely be released but whose crime was so horrible that the judge felt bound to denounce it by passing a long sentence of imprisonment; similarly, he will not be bound to release after, say, ten years a man whom the prison authorities consider still dangerous. Under another Lords amendment the Home Secretary will, in fact, have to consult the Lord Chief Justice, together with the trial judge if available, before he releases any murderer.

This compromise—that the executive should take the responsibility but that the judiciary should give its opinion—should be accepted by the Commons. They might also note, for future reference, Lord Dilhorne's suggestion that the Home Secretary should have power to release on licence, and subject to recall if necessary, anyone who has served five years of a long sentence—for any crime. In the meantime it will be considered by the royal commission on the penal system.

FRANCE AND CHINA

Temptation of the West?

"MY conversations with Mao Tse-tung have been a dialogue on the problems of this epoch." Mr André Malraux's description of his talks in Peking, given at Hong Kong on August 7th after two weeks' stay in China, has about it the "world-historical" touch proper to a historian of culture. Whether he returned from a city that has long been forbidden to most western ministers any the wiser about China's world-historical intentions is another question.

It is somewhat piquant that the author of "*La Condition Humaine*" and the sometime Comintern delegate for propaganda in the provinces of Kwangsi and Kwantung should now, as Gaullist minister of culture, meet again Mr Chou En-lai, whom he depicted as Kyo in his famous novel about the China of forty years ago. This turn of the historical wheel should at least be worth a Chinese art exhibition in Paris next winter. But it does not seem likely to bring any nearer the objectives envisaged early last year by President de Gaulle and his adviser, M. Jean Sainteny, when French recognition of Peking was decided. The revival of French trade with China by way of the South China railway from Haiphong will now have to wait on the end of the war in Vietnam. Nor does it seem that M. Malraux made any progress towards establishing France in a position to arbitrate between the combatants in south-east Asia.

Interesting though his trip to Peking may have been from a cultural point of view, politically speaking the affair has some of the characteristics of the non-event. And respect for the minister of culture's political judgment is not heightened by his statement on August 8th in New Delhi that there are "no really serious problems betwen China and India." Perhaps it is not for nothing that one of his early works was called "The Temptation of the West."

ADEN

No Ladders

IT was only a slippery little hope, and now it has slipped. After talking for five days, the South Arabian meeting in London broke up on August 7th on a note of dismal discord. The Adeni leaders insisted that the emergency regulations in Aden should be lifted (although, after the breakdown, Mr Asnag, the leader of the People's Socialist party, pointed out that he had accepted that the lifting should be both conditional and deferred); the colonial secretary, Mr Greenwood, argued that while violence continued the emergency measures must be maintained to deal with it. So, while both sides ultimately want much the same thing, British policy in Aden has snaked back down to its first and messiest square. Cairo is once again in full voice against Britain for its sly efforts to arrange "pseudo-independence"; terrorism is frighteningly in the Adeni air; and Aden's would-be moderate leaders are in the wretched position of all moderates in an immoderate trap.

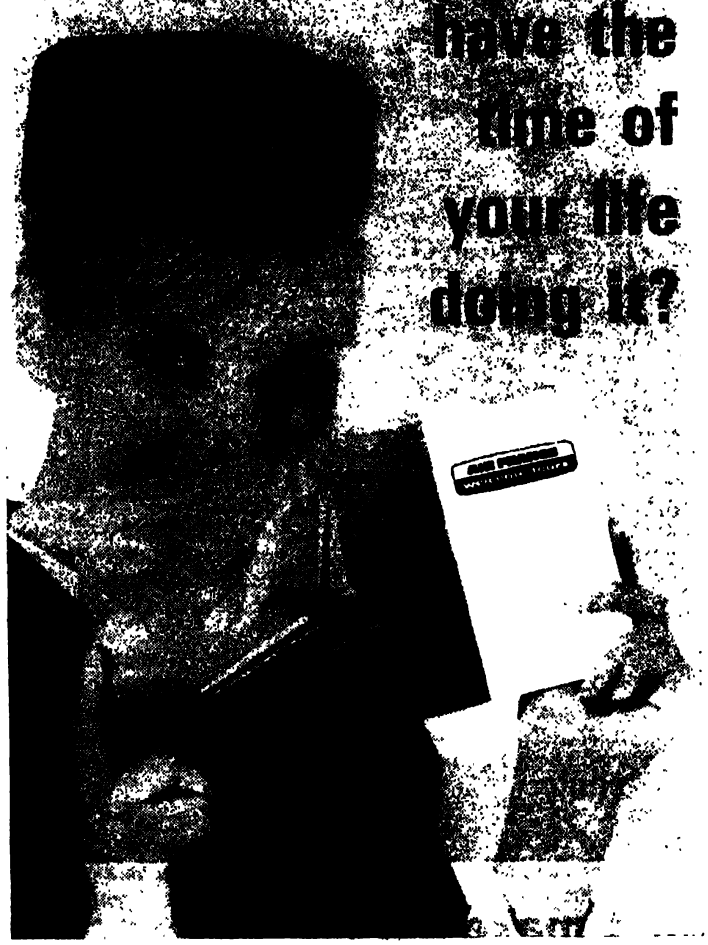
The Economist

AUGUST 12, 1865

INFANTICIDE AND ILLEGITIMACY

¶ It seems probable that on the reassembling of Parliament some effort will be made to deal with the crime of child murder. . . . It is as demonstrable as anything in social statistics can be that illegitimacy is not a special English characteristic, that it is not on the increase, that it is as fixed a quantity in proportion to population as the number of suicides, that it can be affected by legislation in a certain direction, and that education and civilisation, so far from eradicating, tend slightly, but visibly to increase it. . . . It is, therefore, essential, if we would act efficiently, to act upon the mother *after* the child has been born, either by making coercion steadier and more severe, or by relieving her of the care of her child, or by relaxing the rules which forbid parish aid for the keep of the child while the mother continues at work. Each of these plans has its own very grave drawbacks. It is very difficult to apply steady coercion while juries are so unwilling to convict, and while the public secretly feels its conscience shocked at the impunity conceded to the father while such a heavy penalty is exacted from the mother. It is equally difficult to relieve the mother of her babe without decreasing the restraints on licentiousness. . . . And lastly, a separate allowance for an illegitimate child, if granted out of the "house," will in the end make large illegitimate families a source of profit, and restore the worst abuse of the old poor law. The single object, therefore, must be to discover some plan which, while diminishing the burden upon the mother, shall diminish no sexual restraint,—a problem the solution of which has taxed for years the wisest heads on the Continent, and if taken up seriously here, will probably overtax ours.

What book tells you how to spend a small fortune—and have the time of your life doing it?



It's the new Air France Welcome Tours book for 1965/66, just published. Tells you all about the world's most exclusive air tours, tailormade for you. Twelve of them, ranging in price from £353 to £1015 (travel by tourist or economy jet). Three different ways round the world—three tours to South America—tours to Mexico, the French West Indies, East Africa, Iran and India, the Far East, and across the U.S. and Canada. Tours lasting from 21 days to two months. And every tour minutely planned to exacting Air France standards of service and comfort.

Your copy of the new Welcome Tours book is available now—free—from your Travel Agent or nearest Air France office: 158 New Bond Street, London W.1. GRO 8030; or Birmingham CEN 9251/4; Manchester DEA 7831/5; Glasgow CEN 8054/6; Dublin 79073.

à Votre Service

AIR FRANCE

THE WORLD'S LARGEST AIR NETWORK

ESSENTIAL READING FOR BUSINESS & PROFESSIONAL MEN AND ALL INVESTORS

THE TAXATION OF CAPITAL GAINS

AND

THE CORPORATION TAX

TWO NEW BOOKLETS SPECIALLY PREPARED BY **THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES** GIVING **CONCISE, PRACTICAL GUIDANCE FOR COMPANIES AND INDIVIDUALS** ON THE MAIN PROVISIONS AND EFFECTS OF THE NEW LEGISLATION IN THE 1965 FINANCE ACT

Invaluable to everyone requiring a quick grasp and understanding of the new taxes, these two booklets —written by experts in clear, direct terms—are concise and practical guides to the most sweeping fiscal changes in half a century. Price 10s each post free. Demand will be heavy. Send the order coupon now.

To: The Secretary, The Institute of Chartered Accountants in England and Wales, 56, 66 Goswell Road, London E.C.1

Please send me

_____copies of THE TAXATION OF CAPITAL GAINS at 10s.

_____copies of THE CORPORATION TAX at 10s.

I enclose remittance for £_____

(Cheques and Postal Orders should be made payable to CHARTAC and crossed)

Name (block capitals) .....

Address (block capitals) .....

EC

If this battello doesn't make port the yachtsmen are scuppered

Paradise for aqualung sportsmen. For big-game fishermen. For the sea-going set. For get-away-from-it-all tourists. That's Giglio—a tiny isle in the Tyrrhenian Sea.

But, for Gulf, Giglio is part of the workaday world. Every car on Giglio's roads, every yacht and launch refuelling in Giglio harbour relies on Gulf. Because the Gulf service station is the only one on this out-of-the-way island.

And every fortnight or so, *battelli* from Signor Olimpo Rum's small fleet make the normally uneventful, but very necessary, 60-kilometre crossing to the Tuscan mainland.

They chug back into Giglio Porto loaded with replenishing supplies of Gulf petrol and oil.

Whether it's a big project or just a little thing, Gulf believes in giving service. All over Europe Gulf is busy putting this philosophy into practice.

And from worldwide resources Gulf is putting more oil, more energy, to work for Europe.

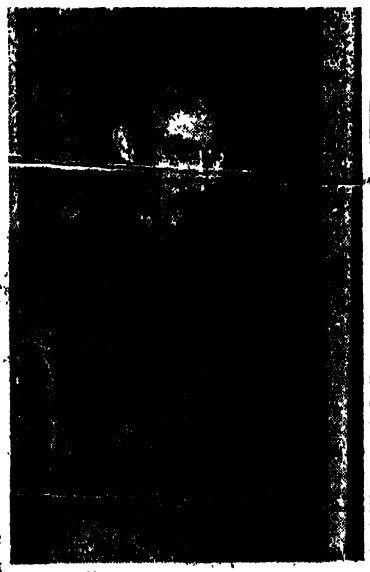
Gulf Oil Corporation, Pittsburgh, Pa., USA, and throughout the world.

Gulf

GULF IS OIL

THE WORLD INTERNATIONAL REPORT

Murmur of a summer's day



Boumedienne

Do only women and children mourn Ben Bella?

BY OUR SPECIAL CORRESPONDENT LATELY IN ALGIERS

ALGERIA FOR ALGERIANS is the slogan of the military men who have taken over their country. But where are the Algerians whom Algeria is for? Almost everybody anybody knows has hurried away on holiday—as is usual in August. But there is more than a touch of escapism, of wanting to let things happen without getting personally involved, in this summer's exodus to Europe or to Algeria's own sun-drenched beaches. The gift that Algeria's new master, Colonel Houari Boumedienne, believes he is giving the people—the chance of thinking for themselves instead of letting one man do it for them—is still being held at arm's length. This is partly because well brought-up people do not accept gifts from soldiers, not at least until they know them better; and partly because most Algerians are still too dazed to think.

In Algiers itself the army is self-effacing. Apart from the single sentries outside some government buildings, not an armed man nor a gun nor a tank marks the fact that only two months ago the country underwent a breathtaking military coup. Outside the capital there are occasional lapses from grace. In the seaport of Bône, people sipping their cokes and coffees at pavement cafés have been dragged from their chairs into army trucks to go and fight forest fires in the district. But this mild resort to pressgang methods reflects less on the roughness of the soldiery than on the absence of civilian leadership. The FLN (National Liberation Front) party leaders who might once have mustered volunteers are no longer on the ball.

The FLN has not only been demoted from its once high role of policy-making to one of merely spreading the gospel. Its members have been publicly branded as a mercenary bunch. An official enquiry has revealed that the party has been heavily weighted with paid officials. In the Algiers region alone, it seems that two-thirds of the 6,000 registered members received salaries. So it's back to the grass roots again to find the honourable men who care for the party for its own sake. Hopes are pinned on October when the ruling revolutionary council hopes to call a new, true and purified FLN congress. Constitutional changes are to be studied that will not only confirm the party's new handmaiden status but will reduce the powers of the president—whoever that will be. (Colonel Boumedienne is not president of Algeria: he is president of the council and prime minister.)

Many of the country's other organised movements—labour, students, women and the FLN youth—have also ground to a halt. The verve went out of them when they lost their communist leaders. These fled into hiding when the new rulers denounced those Algerians whose first loyalties are outside Algeria. The communists controlled most of these organisations, as well as much of the radio and press, because, although few in number, they had the know-how, the energy and the stimulus from outside sources (mainly Moscow). Their liveliness was irresistible to a people who were bent on socialism but had no experience to draw on. No offence is meant to Moscow by this parochial communist witchhunt. the army, for instance, is more than pleased by the Russian mission that trains it to use its good Russian equipment.

While nobody is organising anything, most ordinary citizens are enjoying a rest cure of sorts. Workers in private industry are having a respite from striking. Office staffs are openly thankful to be no longer continually summoned into the streets to cheer the presidential cortèges of visiting African notables—and to make up lost working hours later. The new official Islamic slant has not so far been oppressive. It is not, so the scholars say, to be a return to bigotry, but an emphasis on spiritual values that will preserve the Moslem ethic of duty to family and neighbour, quiet living and honest dealing.

If anything, the ban on drinking alcohol is now less strictly observed than before. Far from being thrust back into veils, those women who have gained some freedom have been officially asked to try to reanimate their organised movement. All the other dead-duck national organisations have also been urged to bestir themselves. But political confidence is lacking. Potentially responsible citizens hesitate to make the effort that would give a popular basis to Colonel Boumedienne's takeover—and fill the void that the beaming be-all and do-all Ben Bella has left.

Some may at length draw courage from the one or two outstanding civilians who have chanced their arm with the soldiers and joined the government. Mr Abdelsalem Belaid, the economic wizard who negotiated the new oil and aid agreements with France (signed on July 29th), looks like a tower of strength as minister of power and energy. Many teachers are pleased at having Dr Ahmed Taleb as minister of education. He combines humanity with learning, and suffered for his liberal outlook when he was imprisoned and tortured under the former regime. Mr Rabah

Bitat, as minister of state, is probably a symbol that the door is ajar to others, who, like himself, were "historic chiefs" of the revolution. These far scattered chiefs no longer have a national stature but they do have their own coteries.

Colonel Boumedienne himself is believed to wish to win over more of the old opposition leaders. But some of his ambitious young officers would like to close the doors on the past. And doors close so easily in Algeria. There is Mr Ben Bella, assumed to be now behind locks in some prison, and seemingly mourned for only by women and children. And there is the shutting from memory of so much of what he achieved in widening his country's horizons. There is also the barring of the FLN from its historical political vocation—although, to be fair, this vocation was perverted in Mr Ben Bella's time. It may be that Algeria will remain politically stunted while its new leaders wrestle with their economic problems. But the soldiers would be safer with a stronger civilian leaven, safer, among other things, from quarrelling among themselves.

A second article next week will discuss economic aspects of Algeria.

MALAYSIA

Friends without bonds?

BY A SPECIAL CORRESPONDENT

SINGAPORE'S eviction from the Malaysia federation may have made a frustrated Mr Lee Kuan Yew weep with anguish at man's stupidity; but in a later, more collected moment, he recognized that the separation would solve certain difficulties, at least temporarily. Mr Lee was anxious and impatient for Malaysia to become a truly multiracial nation. Malay extremists, however, were determined that, in mainland Malaya if nowhere else, the Malays must be dominant politically. Singapore's departure has achieved this objective (though some of the extremists might have preferred to see it achieved by repression). But one must not overlook the fact that on the mainland there are almost as many non-Malays (mostly Chinese) as Malays. Even there Malay political domination cannot be unqualified.

In Singapore, ministers speak of the separation as "tragic," and say that it solves no problem finally either for Kuala Lumpur or for Singapore. But the tragedy to which they refer is that Malaysia—a unity in name only—never really got going; they do not regret that it was attempted. Although they are sad that the attempt at fusion has not succeeded, nobody is in despair, or convinced that this is a final disaster. This distinction is important. Singapore's government is confident that some kind of Malaysia must come into being some day, perhaps in the form of a much looser federation.

Mr Lee, in his present mood, does not believe this is possible for at least ten years. He is usually an accurate calculator; but your correspondent is more inclined to support the belief of his new foreign minister, Mr S. Rajaratnam, a born optimist, that Malaya and Singapore will be together again much sooner than that. Mr Rajaratnam has already made it very clear that Singapore's foreign policy will be designed to keep it close to Malaysia—which is, indeed, essential if both states are to survive and prosper.

He has promised that Singapore, like all good progressive newly developing Afro-Asian states, will adopt a foreign policy of non-alignment "in the power struggle of the two ideological blocks." Knowing Mr Rajaratnam, one can imagine how much restraint he must have exerted to hold himself back from speaking of three blocks. For, as director of the politbureau of the People's Action party, he knows a great deal about the two rival communist blocks and their interests in south-east Asia. Singapore will be friendly with all countries that recognize its integrity and independence "and are friendly to Singapore." Indonesia may be able to qualify for a resumption of trade with Singapore on those grounds; but can Jakarta accept the other plank in Singapore's statement of foreign policy? This lays down that its foreign policy will "underpin the domestic attitude of preserving the state's integrity and independence while safeguarding the interests of Malaysia."

Singapore ministers are prepared to concede that separation may have solved certain problems temporarily; by which they mean that a serious racial clash between the Malays and Chinese throughout Malaysia (for, no matter where racial conflict started, it would spread) has been avoided. But your correspondent is among those who believe that "togetherness" may be much more feasible now that there is a political separation than it ever was while Chinese and Malay politicians were struggling for power inside the so-called unity of Malaysia.

Lee's time for tears

Providing that industrial and other rivalries are not carried to extremes, Malaysia and independent Singapore could work together harmoniously, and indeed must do so in respect of their interests in trade and security. Direct political rivalry no longer exists, so much of the cause of past trouble has been removed.

Britain's commitments seem likely to remain. While subscribing to a foreign policy of non-alignment, Singapore is fully convinced (and so is Kuala Lumpur) that President Sukarno would drop his paratroopers on the island less than an hour after the withdrawal of the last British soldier. Singapore's ministers are realists. They believe in socialism, but permit guided capitalism. They believe in neutrality, but also insist that neutral nations have a right to make defence treaties. They also need no reminding that Britain's expenditure of some £50 million a year on its bases contributes substantially to Singapore's economy.

Dr Goh Keng Swee, now defence minister and formerly finance minister, fought the Japanese as a corporal under British command. He knows something of both the financial and the military aspects of the defence problems that face Singapore. As finance minister he was rather stingy when Britain suggested raising Singapore battalions. Circumstances have changed: Singapore

is now in charge of its own defence. Dr Goh, one suspects, will soon become a most energetic recruiting sergeant; indeed, his relations with his friend and fellow golfer Mr Lim Kim San, the new minister for finance, could become strained. Mr Lim will want to spend money on industrialisation, not defence.

As for Sabah and Sarawak, these states might soon drift away from Malaya and, as independent countries, link up with Brunei, and with Singapore, in a loose federal arrangement. If this happened (preferably after a referendum in each country), Malaya itself might then be coaxed back into a new Malaysia federation. The future is by no means as bleak as some would have us believe; except that the burden of responsibility for defending these countries, in one form or another, seems likely to rest on Britain for a long time to come.

AUSTRALIA

Labour's carapace

FROM OUR CANBERRA CORRESPONDENT

So the world does move. Last week, on August 2nd, the federal conference of the Australian Labour party, its supreme governing body, took the phrase "White Australia" out of the party's policy after more than half a century. It substituted a form of words which could be used to justify almost any immigration policy, but will in fact be used to cover the kind of policy now administered by Australia's conservative government. The minister for immigration, Mr Opperman, welcomed the Labour party's change by saying that his government had never had a white Australia policy and that he hoped that the very term would be buried and forgotten.

During the same week, however, Australian attention was focused on the case of a 21 year old Fiji Indian girl, Nancy Prasad, who was deported to Fiji after repeated requests by her parents that she be allowed to stay in Sydney with her sister and brother-in-law, who is Australian. Australia still admits coloured people only under stringent conditions. This is the sort of policy the Labour party wants to maintain; the change simply indicates that it wants to avoid the growing opprobrium attached to the word "white."

Nevertheless the party decision does show some movement within the Labour party's carapace. It will open the way to party members who have wanted to take more part in immigration reform bodies but have been warned off doing so. There were also signs of life in other directions, such as policy on New Guinea and Aborigines.

But it was painfully clear that the party has made no advance in the two vital matters that prevent it from winning elections: the problem of the Democratic Labour Party (a breakaway Catholic party) and the rejuvenation of the parliamentary leadership. Unless the Labour party wins back enough of the votes it has lost to the DLP it cannot win federal elections in times of high employment. There seems no chance of an agreement between the two parties. The alternative is for the Labour party to steal votes from the DLP by changes of policy in those fields where the breakaway group makes its greatest appeal. But the federal conference banged the door on further state aid for church schools, and did not show much militancy in its opposition to the association between the Labour party and Communist unionists on "unity tickets" at union elections.

On the leadership question, the conference wept tears over the crucifixion by the press of its aged leader, Mr Calwell, and accepted his assurance that he would stay on the job. On foreign affairs, it made no more than the predictable noises about Vietnam, but nerved itself to say that Indonesia was guilty of aggression against Malaysia. The Labour party will be just as troubled as the Australian government by the bombshell of the separation between Singapore and Malaya, especially since it has established a friendly relationship with Mr Lee Kuan Yew's People's Action party, the first time this has happened with an Asian political party. However, it is not likely to come out on Mr Lee's side any more than the government is. The Singapore base is too important to Australian defence just now for anybody here to want to get committed to one side or the other in the Malaysian quarrel.

SUDAN

Southern terrors

FROM A CORRESPONDENT IN KHARTOUM

The political crisis in Sudan's three southern provinces of Equatoria, Upper Nile and Bahr el Ghazal has now reached a climax, and the fighting between the government's forces and the southern rebels is reported to be steadily getting tougher. The situation began to deteriorate early in July when the leaders of the strongest southern political organization, the Sudan African National Union (Sanu), pulled out from the coalition government of Mr Mohammed Ahmed Mahgoub in protest against the appointment of another southern minister, Mr Buth Diu, who holds different views to Sanu about the unity of the country. The southern rebels were also urged to action by the start of the rainy season.

For the first time, the southerners started to attack army barracks and large towns; this was a departure from their normal practice of launching small-scale surprise attacks in remote areas. Reports from the south indicate that the fighting and killing has become brutal. Large numbers of southerners are once more seeking refuge in Uganda. In a recent statement, the Uganda minister of community development gave warning that his funds for assisting refugees are almost exhausted.

Mr Mahgoub's government, although still lacking ideas for any political solution, is wholly alert to the dimensions of the problem. Along with its efforts to restore law and order, it is actively working away at other aspects of the problem. For one thing efforts are being made to send northern civil servants back to the south to clear up the chaos that reigns there now.

The government is claiming to be in possession of evidence that the southern rebels are receiving foreign aid. In a recent interview Mr Mahgoub warned the American ambassador in Khartoum that Sudanese-American relations would be severely affected if the Congo government of Mr Tshombe was allowed to use American aid in support of the rebels. Mr Tshombe has various reasons to assist the southerners: he is anxious to stop any further assistance to his own rebels passing through Sudan; and he might like to recruit the southern Sudanese to fight his own revolutionaries.

Ethiopia, which has also been mentioned as a supporter of the southern Sudanese movement, no longer rates as one. Mr Mahgoub recently led a goodwill delegation to Addis Ababa, and the two governments signed an agreement banning activities hostile to either side being practised in either country. Emperor Haile Selassie, who has been deeply concerned about the political activities of members of the Eritrean liberation movement working from the Sudan, was very willing to sign this pact.

The recent developments in the Sudan's south have destroyed all hopes of a reconvened round table conference between southern and northern party leaders. After consultations with other northern political parties, Mr Mahgoub has said that his government is determined to continue its firm policy in the south. He will also try to implement the resolutions of the first round table conference which offered better economic opportunities, higher standards of education and health services and more jobs for southerners in the administration.

But even moderate Sanu leaders, such as Mr William Deng, will accept nothing short of federation, a word much hated in the north. The southern leaders who operate from bases outside the Sudan, and those working inside, are facing serious difficulties arising from their lack of a common political philosophy. Few of them agree on the type of separation or federation they are seeking, and each has trouble in proving that he, and he alone, is the authorised representative of the southern people.

CEYLON

No easy way out

FROM OUR CEYLON CORRESPONDENT

OTHER Ceylonese budgets, certainly more controversial than the one presented by Mr U. B. Wanninayake on Monday, have come and gone to the familiar accompaniment of big business howling about creeping communism, the salaried middle class grumbling over increased taxes, and hundreds despondently downing a last Scotch and soda to the vanishing glories of imported luxuries. But most Ceylonese people (unless their rice or sugar or flour was touched) were left unmoved by each year's dismal statistical harangues ending on a common note of soaking the rich, relieving the poor and developing the economy. Such traditional exercises in budget-making were not open to Mr Wanninayake. Expectations ran so high this year that his budget had to be a testament of the new government's good faith in keeping its election pledges.

The budget had also to be a clarion call for United National party supporters—now waiting anxiously for a signal that the government at last is ready to launch an offensive against an opposition that has been mocking its painful and largely hopeless efforts to cope with the ruins of an economy that it inherited. As scarcities continued and prices soared, Mrs Bandaranaike and other opposition leaders had begun to assail the government with a vigour surprising in parties that had tasted defeat in March.

Though unperturbed by the opposition's morale-boosting prophecies of imminent collapse, the government had to take note of the bigger and bigger crowds attending Mrs Bandaranaike's country-wide rallies. Where, sneered the opposition, were the apples and grapes promised at election time? Imported apples and grapes, luxuries of a bygone age, are the status symbols of economic recovery.

The government countered by insisting that the civil service was honeycombed with "Marxist saboteurs" and by beginning a public excavation of the previous regime's scandals. It held open house for Buddhist devotees at the prime minister's official residence on Vesak day (the Buddhist "Christmas"), and organised monthly lotteries in which the first prizes were Mercedes-Benz cars used by former ministers. In short, the tactic was to keep the propaganda circus moving until the bread (or the American flour for it) turned up.

Unhappily for the government, its most honest explanation—that it had no money—forced it into the difficult and basically false position of having to promise that money would come from foreign sources quickly. So buoyant was the build-up for the anticipated aid that a banner headline in the *Ceylon Daily Mirror* could announce ecstatically that "Uncle Sam Is On His Way." A besieged people were soon hearing the trumpets of foreign aid.

The government's own appraisal, as revealed in Monday's budget, was reasonable enough. It was ready to try to convince its friends in the West that the democratic experiment, which has so far worked successfully in Ceylon, can be sustained only by a planned national effort. But, first, the country needs immediate assistance to relieve its shortage of consumer goods. If the finance minister did not fulfil the high hopes of those who pictured the budget as a moment of deliverance, he confounded opposition critics by easing certain burdens on ordinary people, while not recklessly attempting an ambitious increase in social welfare. He rationalised the tax system, removed some needless irritants introduced by his predecessors, and gave the private sector new hope. Inevitably, the former finance minister, Dr Perera, called it "a good companies' budget" immediately after the minister's speech.

There is a darker side to the politics of all this. Mrs Bandaranaike and other opposition leaders have mounted an offensive on racial and religious grounds against a government that they claim is beholden to the minorities and therefore will not preserve the "lost rights" regained for the Buddhists by the Freedom party in 1956. The star attraction on opposition platforms these days is the prime minister's cousin, the former trade minister, Mr R. G. Senanayake, who has joined the Freedom party and is a veteran baiter of Tamils and Indians.

It is true that the government won the elections with solid minority support and that the opposition retains a large following among Sinhalese Buddhists. Mrs Bandaranaike is capitalising on the government's composition and its present efforts to cure old wounds. The climate for communal reconciliation should be good but, except for some administrative adjustments to help Tamil public servants, no political settlement has yet been tried. Many government leaders believe that an easing of the economic tensions will automatically remove old racial resentments. Certainly those antagonisms are always sharpened when members of rival communities are competing, during a time of recession, for fewer and fewer jobs. The government's first task is to tackle this problem; the budget showed a readiness to do so within the limits of what is politically possible.

Details of the budget are analysed on page 636.

SOUTH AFRICA

Sacrifice in the mines

FROM A CORRESPONDENT IN JOHANNESBURG

IN no sector of South African life is the tradition of "keeping the kaffir in his place" more deeply rooted than in the mining industry. It is a tradition that has behind it not only the stubborn factor of colour prejudice but also sixty years of sporadic attempts by the mine managements, in the face of strikes and more serious civil disorders, to supplant expensive white labour with cheap black labour.

It came as no great surprise, therefore, when a cautious experiment in allowing Africans to do some jobs previously reserved for whites jolted to a shuddering halt this month. The circumstances this time were different: the initiative came from the white mineworkers' union; the chamber of mines guaranteed that no white miners would be retrenched because of Africans moving up; and the cabinet—even the prime minister—gave the experiment their blessing. All the same, the tradition proved too stubborn.

The experiment was launched about a year ago after the minister of mines, Mr Jan Haak, had given his approval, and suspended sections of the Works and Mines Act to make it possible. It began in only four mines; after six months it was extended to a dozen. The aim was that eventually it should become standard practice throughout the industry. Everybody knew what was happening; everybody agreed with it; but nobody talked about it. Even the press kept quiet, though every editor knew the facts. It was like a national conspiracy of self-deception.

Inevitably, such a delicate bubble had to burst, and last March it did. The Nationalist member of parliament for the West Rand mining town of Krugersdorp, Mr M. J. van den Berg, who is also the protagonist of a policy of "industry without blacks," denounced the experiment as a violation of job reservation and said it would upset the white-black ratio in the mines. His cry was soon taken up by Dr Ras Beyers, a Pretoria lawyer with a flair for traditional language, who told the miners:

> The kaffirs are pushing you out. How would the cabinet feel if you appointed a fat, black semi-savage as deputy prime minister just because it would cost the state less?

That was enough. On the Witwatersrand and in the Orange Free State groups of white miners formed "action committees" to fight their own union; they employed Dr Beyers as their adviser; there were protest demonstrations and meetings at which "blood oaths" were sworn; the government was accused of "liberalism," and some action committee men formed a new party way-out to the right. In their agitation, Mr Haak and other ministers denied having had anything to do with the experiment.

Then, on May 28th, a three-man commission of inquiry was appointed. This was the end, and the beginning of the ritual sacrifice. The verdict was delivered on

... BUT DOES HE REALLY FEEL PART OF YOUR TEAM?

You pay him well, reward his ability with promotion. He has the security of a pension. He should feel part of the team – but how do you *know* that he does?

It is hardly necessary to mention that nowadays able executives are at a premium. A glance at the ever-increasing advertisements put out by companies hoping to attract top staff will quickly remind you of this. And top staff are well known to be occupationally mobile – only 504 out of 1000 executives in a recent McGraw-Hill sample study held the same job, in the same company, in the same place, for longer than 12 months. This was over a 20-year period!

Yet paying good money is not enough to make the best executives stay. They must also feel happy. And happiness in an enterprise comes from the feeling of being wanted, from the realization that any special initiative or effort taken on the firm's behalf will be noticed and appreciated.

Any real leader of men knows that there is more to it than the salary slip – that there is, as well, an invisible but real reward which makes some organizations great, unassailable.

This is why the chief executives of the most famous firms in the world pay as much attention to presentation schemes as they do to salary increases and bonuses. For the right kind of presentation is not impersonal as money is – it is a human gesture which does not come in monthly instalments, subject to good behaviour. There are no strings. It is a warm, personal expression of thanks valued as such by the man who receives it.

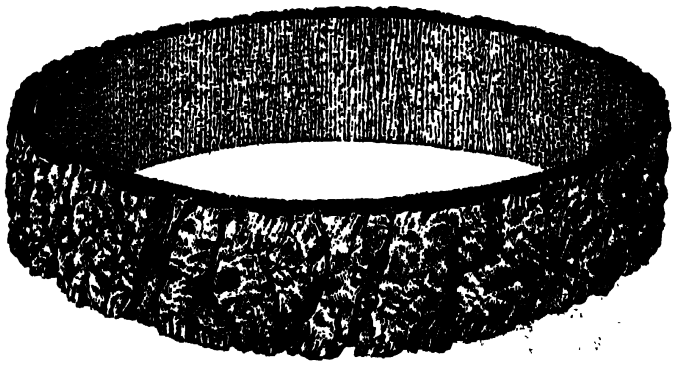
What form should your firm's presentations take? They should be gifts *of a quality that you would like to receive yourself.* Nothing less. For this reason Rolex watches are the presentation gifts *par excellence.* Rolex watches are worn by world leaders in politics, finance, industry and technology. This is no idle claim – the dazzling array of portraits of famous Rolex owners on the walls of the Rolex headquarters at Geneva proves it.*

So the executive who receives a Rolex instinctively feels that his work is appreciated fully.

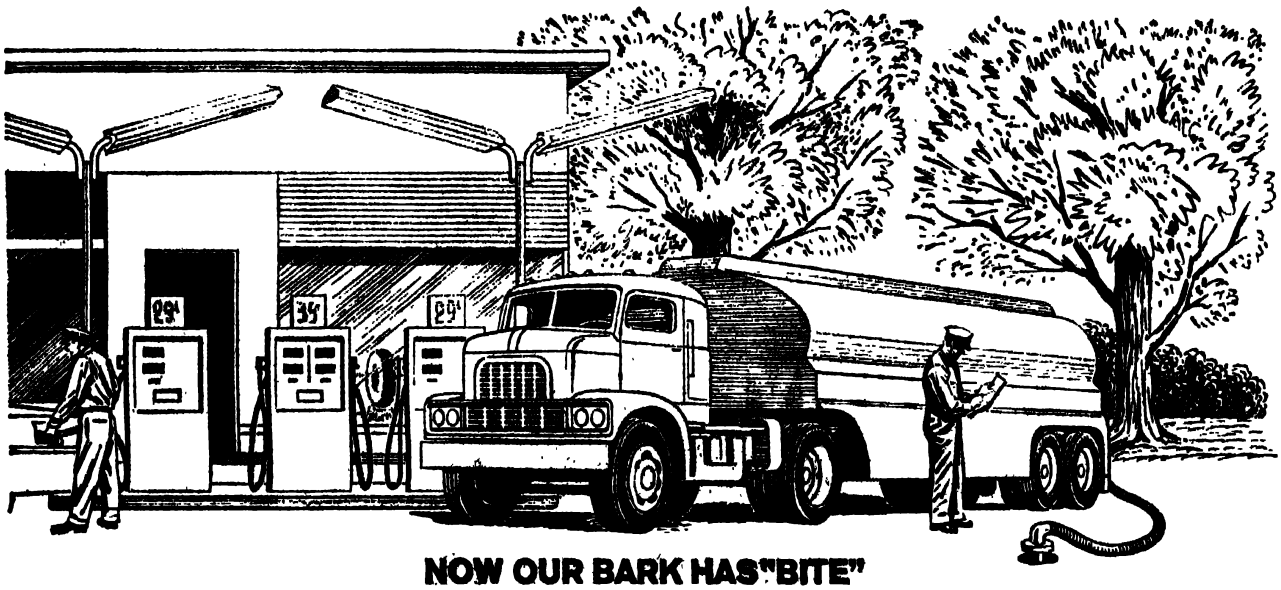
ROLEX

* If you are in Geneva, you will be welcomed at our world headquarters

For a copy of the illustrated presentation brochure, please write to
MONTRES ROLEX S.A., Geneva, Switzerland
or THE ROLEX WATCH COMPANY LIMITED *(Founder: H. Wilsdorf)*
1 Green Street, Mayfair, London W.1



RAYONIER MADE THIS AN IMPORTANT CHEMICAL NATURAL RESOURCE.



NOW OUR BARK HAS "BITE" IN A MULTI-BILLION DOLLAR INDUSTRY!

It's called Rayflo. This chemical made from tree bark converts thick, lumpy, sticky, oil well drilling mud into a free-flowing fluid. This makes the oil easier to get at. So it saves money.

Rayflo is a granddaddy silvichemical. Since its birth 12 years ago, we've modified it numerous ways for boiler water treatment, grouting, pesticides, inks, soaps, ceramics, agricultural sprays, industrial cleaners...

Bark chemicals like Rayflo emphasize our concern for conservation and for utilizing the whole tree. And trees we have! 300,000,000 in the USA and Canada. We grow them as crops so that there'll always be plenty to feed our big, hungry cellulose and wood pulp mills... with sufficient bark for silvichemicals to satisfy all manner of industry.

Meanwhile our Research burns midnight oil probing the endless possibilities for these exciting new bark chemicals. Watch for them! They could easily turn up in *your* business. Or your home.

Rayonier Industries Limited
6, Avenue Matignon
Paris VIIIe

Rayonier Incorporated
161 East 42nd Street
New York, New York

RAYONIER

NATURAL RESOURCES CHEMISTRY

August 3rd: the commission reported that the experiment had some "detrimental implications," and Mr Haak ordered that it be scrapped.

Now there is a kind of stunned silence. With the colour bar collapsing in various surface industries, it seems incredible that it should be so difficult to bring about even a small labour reorganisation underground that involved little change in actual jobs.

The old routine underground was for a white miner to have overall supervisory charge of a number of African labour teams, each controlled by a "boss boy." These teams might be some distance apart, even at different levels, and since the white supervisor had to visit each in turn before a shift could start work, and had also to check each team at regular intervals, much time and money was wasted. The basis of the new experiment was simply to allow the "boss boys"—renamed Competent Non-Scheduled Persons (CNSPs)—to do the preliminary safety inspections, and to scrap the subsequent visits by the white supervisors.

The white miners released from these chores moved to more responsible, safer and better paid jobs. They switched from the insecurity of contract work with daily pay to the stability of monthly salaries; and they got sick pay, holiday pay and improved pension benefits. They were happy. So were the CNSPs, who got substantial and long overdue adjustments to their pay. So were the mine managements, who stood to save an estimated £25 million a year from the full scale use of CNSPs in the place of whites. So was the government, which stood to benefit from the revenues of increased gold production. But it is not to be. The kaffir is to stay in his place—to everybody's cost.

BOLIVIA

Heart of tin

FROM OUR CORRESPONDENT LATELY IN LA PAZ

BOLIVIA is yet another Latin American country run by military men who claim to be "Christian, democratic and revolutionary" but who are in no hurry at all to restore constitutional rights and electoral freedom. General René Barrientos, who has run the country since he led the military revolt that threw out President Paz Estenssoro last November, is a relatively benevolent despot. Like Marshal Castelo Branco of Brazil, he uses his authority as a shield for the application of economic measures considered necessary by most people, but apparently unfeasible while political parties and trades unions were free to frustrate them.

In Bolivia, as in Brazil, the technocrats have moved in. Their job in the explosive atmosphere of Bolivia is risky, but comparatively straightforward: they are trying to make sense out of the country's tin industry. The government-owned Mining Corporation of Bolivia (Comibol), in control of twenty mines, is the largest mining enterprise in Latin America; it has also been the most inefficient. Comibol is the economic heart of Bolivia. Under the pressure of mismanagement and unscrupulous labour agitation, it had almost stopped beating. By May this year, experts had given it three months before total collapse.

It was then that General Barrientos took action. The miners' political leader, Señor Juan Lechín Oquendo, was arrested and deported to Paraguay. The long postponed clash was on. The miners struck and demonstrated. They were joined briefly by factory workers in La Paz. Violence developed to a pitch described by General Barrientos as "civil war." His air force bombed armed positions around several mines while the army moved in. About 70 people were killed. The mines were declared military zones in preparation for the complete revision of the economic structure of Comibol. Communist and other extremist labour leaders were deposed from their elected positions of control. Those within reach were deported; the rest fled. Contrary to most predictions, resistance at the big Catavi Siglo XX mine, about 150 miles south-east of La Paz, petered out without serious fighting.

General Barrientos; popular ambiguity

The background of force gives General Barrientos, who since May has shared the presidency with his army chief of staff, General Alfredo Ovando, an ambiguous character. He enjoys considerable personal popularity, not only in middle class "anti-communist" circles, but also among the peasants, traditional enemies of the miners. The miners themselves, led to believe, since the revolution of 1952, that the mines belong to them rather than to the state, naturally take a different view. They have been beaten in this test of strength, largely disarmed and deprived of their old leaders.

The new plan for Comibol, launched in a framework of military security, appears to be largely based on recommendations made in 1954 by a firm of American business consultants. The Inter-American Development Bank, deeply committed financially, has played a leading role in preparing the emergency recuperation programme. Its general aim is to introduce a rational, uniform system of work, pay and labour contracts—in other words to make the mines pay.

Some idea of the need for drastic measures can be gathered from the fact that, just before the change, 80 per cent of the cost of producing a pound of tin was made up of labour charges. At Catavi Siglo XX, production costs were running at an average of 50 per cent above the London 90-day quotation for tin. At one mine, Kami, occupied early in the conflict, the cost-graph ran off the paper. With tin at $1.97 a pound, Kami's cost reached $3.67 and beyond. These are extreme examples: other mines occasionally broke even.

The remedy, now to be applied by the new director, Colonel Lechín Suarez (a half-brother of the expelled leader), is, briefly, to freeze wages at the level established at the Quechisla mine a year ago, to pay off the labour force and immediately re-contract those who accept the new terms and conditions—which include the banning of union meetings during working hours. Comibol is also, for the first time, authorised to engage, transfer and dismiss workers according to practical requirements.

About half of Comibol's labour force of 20,000 men is likely to be affected. Since the corporation does not have the money to pay off workers in cash, they will receive bonds to the value of $800 each, paying 4 per cent interest. The wages of some workers in the main mines will be reduced. Miners have, in fact, been an élite among Bolivian workers. Their average wages have been about $60 a month; but the "aristocrats" of Catavi Siglo XX were getting $100 a month, and some even $200. They also got many special privileges, including stabilised prices for meat, rice, flour and sugar. To compensate them a little for the loss of these privileges, the miners are promised that, when the mines show a profit, a quarter of it will be for them.

From their exile in Argentina, Paraguay and elsewhere, the dispossessed miners' leaders are howling woefully about this latest "imperialist plot to enslave Bolivian workers." But the plan's success, not its promises, will justify or condemn the military hand behind it. And the reconstruction of healthy trade unions is a task as important for the future as the overhaul of Comibol.

RHODESIA

Licking their wounds

FROM OUR SALISBURY CORRESPONDENT

WHO now opposes Mr Ian Smith? His opponents are in sorry array, on both the African and the European side. His Rhodesian Front came to power on a rising tide of reaction and the tide is still flowing strongly.

Take the Africans. It is glib and unrealistic to say that Mr Smith is opposed by four million united black men. The effective support for the African nationalist movement could never be estimated. Even when the two rival parties, the Zimbabwe African People's Union (later the People's Caretaker Council) and the Zimbabwe African National Union, were going concerns, proper lists of members were never kept. Nobody knew how many party cards were issued. And the weapon of intimidation was so powerful that much of the support claimed was open to question.

The violent warfare between the two parties, which came to a head just before they were declared illegal, made the position even more confused. Now that the leaders, Mr Joshua Nkomo (PCC) and the Reverend Ndabaningi Sithole (ZANU), are in restriction and the movements have gone underground, nobody knows the real extent of continuing African loyalty to nationalism. All one can say is that it is substantial, but not overwhelming, and weighted in Mr Nkomo's favour. Among the illiterate masses support for him rests more on the legend of his name and personality, and on his image as a father of his people, than on attachment to the revolutionary constitutional changes he demands.

What of the white liberals represented by the colourful Mr Garfield Todd and his circle of intellectuals, the small minority who urge a rapid changeover to African rule? Mr Todd sits inactive on his farm, brooding over his past glories (seven years ago, he was prime minister) and over a depressing future. His once extremely vocal group is scattered and disheartened. Many have left the country, and others have left politics. A few, made nervous by the smear of communism daubed on them by the right-wingers, have actually gone over to Mr Smith.

The Welenskyites and the Whiteheadites, exponents of "partnership," are frustrated and disorganised after their crushing election defeat at the hands of the Rhodesian Front. Not one white candidate for their Rhodesia party was returned to parliament in May. About 10,000 people voted against Mr Smith, but many of these have now either given up politics by merging quietly into the business and farming communities or have gone over to the Front—either from conviction or from a need to "belong." Sir Edgar Whitehead is in

Dr Ahrn Palley: crack shot

England, Sir Roy Welensky in retirement. A few remnants formed the Rhodesia Constitutional Association when the Rhodesia party was wound up. This is rather vaguely and genially led by the former leader of the opposition, Mr David Butler, and is not a political party. It stands for "a society of free people, free from racial domination and discrimination and free to associate with whom they please," a difficult row to hoe in Rhodesia these days.

When the Rhodesia party collapsed, the African wing—ten Africans were returned to parliament in the B roll seats—formed the National People's party, which became the official opposition under the leadership of a comfortable and well intentioned African butcher from Fort Victoria, Mr Josiah Gondo. The party received moral support and advice from the Rhodesia Constitutional Association. It has no constitution, no party congress has yet been held, and so far as can be ascertained it has no party funds and no rank and file. But what the party stands for, removal of segregation, faster political advancement for Africans, racial integration in all walks of life, would be Mr Bottomley's dream of heaven—if it could be implemented.

The NPP's approach to opposition is good grass-roots stuff—pleas for more African schools, a better deal for African agriculture, more racial tolerance, better employment opportunities for Africans. At the end of July, however, it startled the African leftists who regard it as a "stooge party" by demanding a constitutional conference on independence. The government was slightly shocked—were these mild black men sitting on the opposition benches really nationalists in disguise?

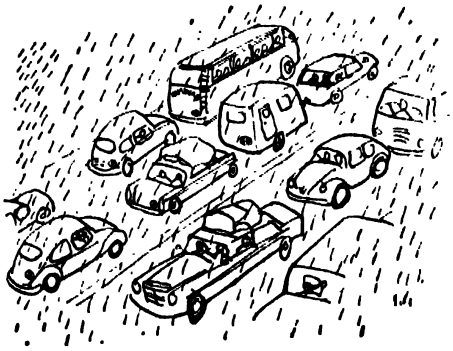
On the whole the massed government benches are polite and tolerant towards the African members. There was a time when some white backbenchers were wont to throw out interjections like "get back to the trees," but the speaker and the prime minister invoked the dignity of parliament and stopped all that. There is a small group of independent members with various ideologies. One of them, Mr P. E. Chigogo, a quasi-nationalist, had the temerity recently to move that all Africans in restriction should be released and brought to a conference table. Epithets like "irresponsible" and "mischievous" were hurled at him from the government side.

Most of the fire from the opposition comes from the liberal white independent, Dr Ahrn Palley, a doctor and lawyer from South Africa, who sits for an African urban constituency. He speaks for African rights, carries on a tireless campaign for the rule of law, and is listened to with respect by the government benches because of his peerless knowledge of parliamentary procedure and constitutional processes.

Opposition is not exactly dead in Rhodesia, but quiescently licking its wounds. Probably the most serious potential threat to Mr Smith comes from within his own party, from the rigid doctrinaires of its right wing. Some of them think that Mr Smith, once a whip for Sir Roy Welensky's party in the deceased federal parliament, is still a Welensky man at heart. In today's Rhodesia that means a liberal, and it is a very dirty word.

GERMANY

Holidays without patriotism



FROM OUR BONN CORRESPONDENT

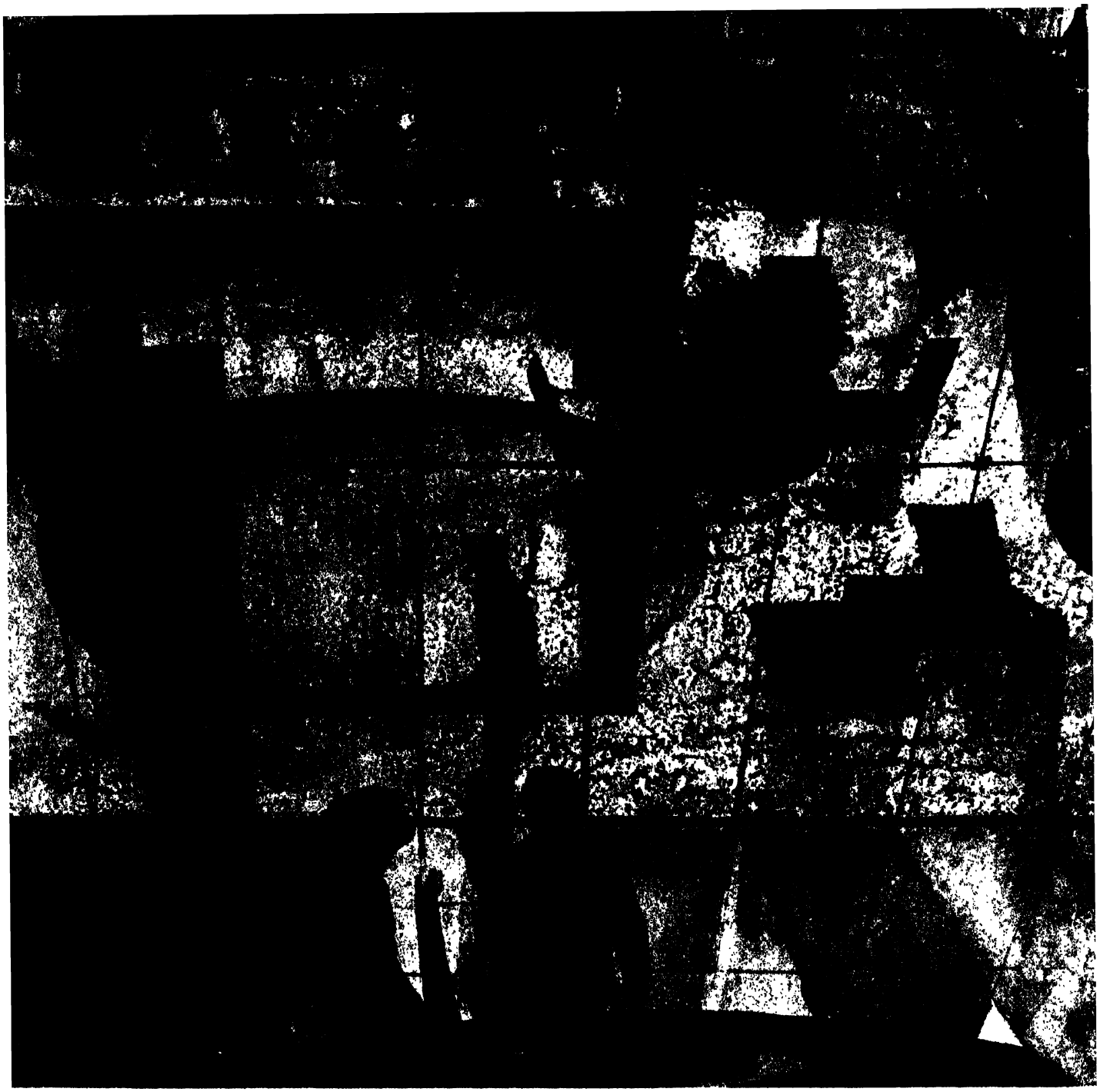
RAIN or fine—and so far this has been the wettest summer recorded at Frankfurt since 1909—more Germans are simultaneously on holiday in August than in any other month. Collective relaxation is palpable everywhere. Its visual effect is magnified by a concurrent avalanche of foreign tourists spilling through the land, many of them anxiously towing their own board and lodging. No toil is exacted over the 400 miles, more or less, of autobahn leading from Aachen, Emmerich, and Hamburg in the north to the Alps and the Mediterranean. A Munich scribbler has observed that the sun-starved Scandinavians start baring their chests at Hanover; and that

Continued on page 605

Beneath ragged autumn sky,
a freighter loads Falconbridge
electrolytic nickel. And where
is this sun-shafted harbour
that's always ice free?
Kristiansand S., home of
the Norwegian refinery of Falconbridge.

Falconbridge, a world-ranking
mining and industrial
organisation . . . a group
of companies operating
mines and other facilities
in seven countries, producing
minerals and metals for tomorrow.

FALCONBRIDGE
In London/please contact
BRANDEIS, GOLDSCHMIDT & Co. Ltd.,
30 Gresham Street



The modern prestige of an 'Armourplate' all-glass entrance is something which all the world can see; the first thing they see as they enter, the last thing as they leave. They go with the right impression of you—modern, spacious, confident, looking to the future. On the practical side, an 'Armourplate' entrance can be incorporated in plans for any office or showroom building—old or new. The design of 'Armourplate' assemblies renders them safe, and well sealed against draughts. 'Armourplate' doors can be designed to carry handles or push panels with your own exclusive name style, monogram or pattern motif. Call in your architect for a second opinion on the practical and aesthetic merits of 'Armourplate' All-Glass Entrances.

Entrée to big business

'ARMOURPLATE'

All-glass entrances

PILKINGTON BROTHERS LIMITED. Head Office: St. Helens, Lancashire. Telephone: St. Helens 28882. London Office & Showrooms: Selwyn House, Cleveland Row, St. James's, S.W.1. Telephone: WHItehall 5672. "Armourplate" is a registered trade mark of Pilkington Brothers Limited in many countries. Supplies available through the glass trade.

Continued from page 602

the wayward, class-plagued British travel in cars either of phenomenal decrepitude or of exquisite style.

But back to the natives. According to the Institute of German Industry, which seldom misses a chance of pointing to the pleasanter symptoms of the country's affluent "social market economy," one in every two of the Germans living between the Rhine and the Elbe uses his or her holiday to make a trip of one sort or another away from home. Most workers nowadays get at least three weeks' summer leave, always with pay and often with a bonus into the bargain. The tourist industry begins as early as November to woo them with copywriter's poetry.

Were the Germans hotly in pursuit of national power and glory, one might suppose that there would be a demonstrative rush at holiday time to seize any opportunity of visiting their enslaved compatriots in "the zone." But there is no sign of one. On the contrary: the one west German travel agency, at Hanover, that is authorised by the east German regime to mobilise west German tourists has had to cancel, for want of custom, two of the nine conducted tours it is offering this summer. Since May, the agency has booked 350 people for Paris but only 95 for east Germany. The federal ministry for all-German questions, ever sensitive to signs of languishing interest in reunification, explains that a large number, as yet indeterminable, of west Germans are travelling individually to east Germany having got a visa without difficulty in order to visit relations. (Even pre-Berlin-wall refugees are allowed in and out of east Germany nowadays if they want to visit relatives.) But since not everybody has kindred "over there," it is still remarkable that so few respond to the opportunity of a patriotic pilgrimage.

A comparable manifestation of sluggish patriotic spirit is to be seen in the decreasing number of west German families ready to invite Berlin children to spend a holiday in their home. Some 45,000 west Berlin children are being given a holiday in west Germany this year but most of them stay in officially-run holiday homes. So many west German families are now themselves away during August. And, or so it is explained at the Frankfurt headquarters of the organisation responsible for bringing the Berlin children over, farmers' wives, who used to be notably hospitable, are now mostly too busy because of the labour shortage.

The big west German travel agencies report that the average customer wants this year to go farther afield than before, and is ready to spend £50 or so a head on trying to find what he wants. There is a marked *Drang nach Süden*, to Italy and the south of France, or to the cheaper and sunnier coasts of Jugoslavia, Bulgaria, and Greece. The Bonn agencies say they are arranging more trips to Spain and the Balearic Islands than to any other foreign country. But since most people do not have £50 each to spare for a holiday, they make their own arrangements, which may entail modest pottering about the Harz or the Eifel mountains or may mean staying at home (a special radio programme is addressed to those spending "leave on the balcony") and suffering gooseflesh at the nearest open-air swimming pool.

A godsend to the impecunious young are the budding state-endowed schemes for promoting Franco-German encounters. Imaginatively conceived language courses are being held in both countries for those between 18 and 25, who may be lent apparatus to make sound and visual records of the district in which they are staying. Younger Germans can have a holiday in France for next to nothing so long as they are willing to put in a couple of hours of work daily, such as helping in a hospital or in building a sports ground. Many German schoolchildren have a shot at earning some money during the seven weeks' school holiday. But their chances are limited by the law, which excludes children under 14 from taking any job outside the home, and forbids everybody under 17 from working on a production belt or for piece rates.

As in other countries there is in Germany a minority of dedicated people who use their annual holiday to engross themselves more thoroughly in the cause or hobby dearest to their heart. Such were the 25,000 Protestants who journeyed to Cologne for the twelfth Evangelical Church congress, which ended on August 1st. They were rewarded with a meeting notable for its frank discussion of the necessity for church reform, and an encouraging glimpse of the prospect of German Catholics and Protestants at last dispelling their debilitating suspicion of each other.

GERMANY

Polls, polls . . .

It is nice to see that other people's public opinion polls can also disagree with each other. In Germany the results of the Emnid poll for July were published in the first week of August. They showed the Social Democrats running 2 per cent ahead of the Christian Democrats (34 as against 32 per cent), with the Free Democrats getting 7 and other parties 2 per cent; 25 per cent of those asked were undecided. Since June, the CDU had thus lost its narrow lead. The Wickert Institute of Tübingen, on the other hand, has found the Christian Democrats still leading with 39 per cent, while the Social Democrats get 37 and the Free Democrats 7 per cent; 17 per cent said they were undecided or meant to abstain. The fact that there were fewer "undecided" answers in the poll that showed the Christian Democrats still in the lead may suggest that many of the 25 per cent who answered "don't know" to Emnid's questioners might, come polling day, swing to the government.

As a tailpiece, one might remind the British motor car industry that the Volkswagen workers who went on holiday on July 9th—all 90,000 of them—returned last week, simultaneously with the management's announcement of new models and reduced prices for the old.

BRAZIL

Good conduct prize

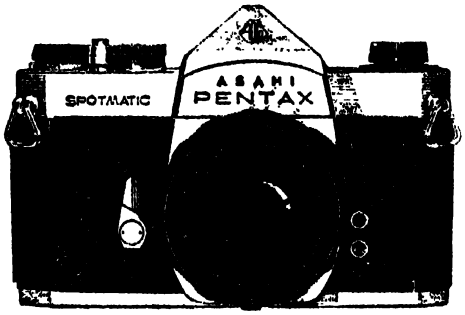
UNDER its present leaders, Brazil is Washington's one important and unequivocal ally in Latin America. To see that these leaders do well is worth the weight of even so weighty an American mission as that which suddenly and rather secretly descended on Rio de Janeiro on August 5th. The mission, which stayed five days in Brazil, was led by the under-secretary of state for economic affairs, Mr Thomas Mann, and included several senators, including Mr Fulbright, and several senior officials, including Mr Jack Vaughn, who is responsible for inter-American affairs in the State Department, the president of the Export-Import Bank, and President Johnson's devoted disciple, Mr Jack Valenti.

The Americans had come, said Senator Fulbright, to talk about ways of making the Alliance for Progress more dynamic and the Organisation of American States more effective. This makes the expedition look like a good conduct prize to console Brazil for the postponement of the inter-American foreign ministers' meeting which should (if anybody had been able to agree about anything) have been going on in Rio at this time. But the plonking arrival of so much high brass has set Rio buzzing with the thought that something spectacular in the way of American aid for Brazil is in the pipeline. The help is needed: Senhor Roberto Campos, the minister of planning and the economic brains of the "revolution," is hard put to turn inflation down and development up.

Unhappily for the Brazilian government, the mission has coincided with the gathering clouds of a new political storm. After much havering, that sturdy and popular veteran, Marshal Teixeira Lott, has decided to stand as the Labour party's candidate in elections for the governor of Guanabara state (Rio de Janeiro) on October 3rd. The marshal is closely associated with the policies of the former (and presently disgraced) president, Senhor Kubitschek; somehow he slipped through the net when the present regime tried to ban everyone it did not care for from competing in the state elections. But the army, speaking through the minister for war, General Costa e Silva, has thundered out its veto on his candidature. As he entertained his distinguished visitors from Washington, President Castelo Branco was trapped once again between his country's conflicting civil and military frustrations.

EC-65

五年前に
完成していた
カメラ



This Camera Was Ready 5 Years Ago

But, we didn't start the production. Instead, we made tests after tests. Improvements after improvements. Trials after trials. In fact, we have worked out *all* conceivable types of through-the-lens meters, including the meter on the mirror, in the mirror, behind the mirror, on the viewing screen, on the prism, in the prism, or you name it. But, *for good reasons,* we gave them up. In July last year, we launched this camera in Japan. Thousands and thousands of the Spotmatic have been sold in Japan and tried by critical photographers. We have worked enough. We are confident. So our export has started.

No manufacturer can be confident of the quality of new cameras unless they have been market-tested sufficiently.

ASAHI PENTAX

ASAHI OPTICAL CO., LTD.
C.P.O. 895, TOKYO
5 AVE. CLEMENCEAU, BRUXELLES 7

Doing business in the U.S.?

Get in touch with
Manufacturers Hanover

Our two branches in London
—at 7 Princes Street, E. C. 2,
and at 10 Mount Street, W. 1
—are your access to effective
coverage of the U. S. market.

International Division:
44 WALL STREET, NEW YORK, N. Y. 10015

MANUFACTURERS HANOVER TRUST COMPANY

Representative Offices:
Beirut · Caracas · Frankfurt · Madrid · Manila
Mexico City · Paris · Rome · São Paulo · Tokyo

Member Federal Deposit Insurance Corporation
Incorporated with Limited Liability in U.S.A.

THE WORLD □ AMERICAN SURVEY

Labour's New Relationships

FROM A SPECIAL CORRESPONDENT

THE congressional victory won by organised labour two weeks ago in its fight to nullify state "right-to-work" laws represented its greatest legislative triumph since the passage of the original Wagner Act thirty years ago, when workers were guaranteed the right to bargain collectively. The ease with which the trade unions achieved success in what had been expected to be the most bruising battle of the Eighty-ninth Congress reflected not only their own very substantial political power but even more the firmness of the alliance which they have forged with President Johnson. The importance of the issue itself lay more in the vehemence of the emotions it aroused on both sides than in any impact it is likely to have on the growth or decline of trade unions.

When the Taft-Hartley Act was passed in 1947, largely as an out-growth of nationwide strikes just after the second world war by coal miners, automobile workers and other big unions, one of its sections gave State Legislatures power to pass laws prohibiting the union shop. Nineteen states, mostly in the low-wage areas of the South and Southwest, now have such legal bans on contracts requiring workers to become members of a union as a condition of holding their jobs. These are the states in which trade unions are weakest, but they are also the states in which they were weakest before there were any "right-to-work" laws. Unions have grown very little in the other thirty-one states either. In short, it cannot be argued convincingly that repeal of laws against the union shop would be of major assistance in labour's drive to extend trade unionism in the South and to push up wage standards there.

However, the union shop has been the highly visible evidence of trade union status in America for nearly a century and the campaign to eliminate any legal obstacle to its universal attainment was the top plank in labour's legislative programme—the one surviving element in the drive it began in 1948 to repeal the whole Taft-Hartley Act as a "slave labour law." This year Mr George Meany, the crusty president of the American Federation of Labour and Congress of Industrial Organisations, the national federation of trade unions, decided to gamble his job on his ability to kill the "right-to-work" clause, section 14B of the Act. Two factors made it a good gamble. The first was the number of Congressmen who had been elected with union support last November. Sixty-three of the 100 Senators were endorsed by labour and 298 of the 435 members of the House of Representatives. But even this two-thirds majority of legislators sympathetic to labour might not have been compelling had Mr Meany not had President Johnson strongly on his side.

The Meany-Johnson friendship is one of the strangest in Washington. The president of the AFL-CIO was very far from happy when in 1960 John Kennedy chose the supposedly conservative Mr Johnson as his running mate. But today Mr Meany's working partnership with President Johnson is, if anything, even firmer than the one he had with Mr Kennedy. The President calls Mr Meany to the White House several times a week to confer with him on matters that have no direct connection with labour. He has said that Mr Meany and the federation's chief lobbyist, Mr Biemiller, are the only two people whom he can trust wholly. To honour them he took them with him when he flew to former President Truman's home in Independence, Missouri, to sign the Bill providing health insurance for old people.

It is not hard to understand why Mr Johnson is so fond of the head of the AFL-CIO. There is no more consistent supporter of every part of the Administration's foreign and domestic policy. The President, weary of the incessant complaints he hears about his handling of international affairs, need never worry about criticism from Mr Meany in this field. The union chief is a cold warrior for whom nothing fundamental has changed since the proclamation of the Truman Doctrine almost two decades ago. On the domestic front labour is a foundation stone of the consensus which the President has built to press for a Great Society. The unions have few independent ideas to contribute to this design for a better America; they were "me tooers" in Roosevelt's New Deal, Truman's Fair Deal and Kennedy's New Frontier. Now they are enthusiastic riders in the Johnson chariot—doubly enthusiastic because the President is achieving such solid success in getting through Congress programmes that have been gathering dust since the nineteen-thirties.

The fight to get rid of "right-to-work" laws represented the first piece of special-interest legislation for which Mr Meany had sought priority since the Kennedy Administration took office four-and-a-half years ago. Until then he had put all such parochial concerns second to matters that the man in the White House considered should come first from the standpoint of the national interest. When it is remembered that American labour's involvement in politics as a year-round activity stemmed principally from its resentment against the Taft-Hartley Act, the shift of focus has been remarkable.

AT the start of the Kennedy period the unions went along with the White House in concentrating their congressional pressure on the passage of the Trade Expansion Act. This law to encourage freer trade involved jettisoning the protectionist traditions that had long been a major tenet for most unions. After that, labour went all out for a tax reduction bill that did more for business corporations and the wealthy than it did for the workers, because it was the kind of law that the President wanted. Last year the unions were an important force in the coalition that created overwhelming bipartisan backing for the Civil Rights Act. The law's provisions for outlawing racial discrimination in employment would never have stayed in if labour had not insisted on them; yet Jim Crow unions which refuse to accept Negro members will be among the chief targets of these clauses. This record, plus the consistency of union support for every Administration measure, caused President Johnson to say recently that "the AFL-CIO has done more good for more people than any other group in America."

This dovelike relationship paid off in last month's vote in the House of Representatives to strip the states of their right to prohibit the union shop. The President, the Administration's leaders on Capitol Hill and Mr Biemiller's corps of expert manipulators arranged to stifle what might have been an acrimonious debate and thus took most of the political dynamite out of the issue. The result was a majority—221 to 203 in favour of the repeal of section 14B—just one vote short of the number which Mr Biemiller had predicted as long ago as last April; the difference was represented by the death of one Representative. The Senate is considered sure to approve, although some tempering language may be inserted to ease the pain for workers whose religions make them conscientious objectors to any form of forced association.

In the wake of the House vote, alarmed conservatives renewed their recurrent warnings that labour was taking over the country. But, unhappily for trade unions, the reality of their power bears little resemblance to the hyperbolic fears of their critics in industry. The total membership of unions has been stagnant for ten years, at between 17 and 18 million, even though the number of workers in non-farm jobs has gone up by about eight million to nearly 60 million. Automation is making its heaviest inroads in the fields that have been the traditional strongholds of unionism —manufacturing, mining and transportation. Blue-collar workers are being replaced in increasing numbers by hard-to-organise white-collar and technical employees. The combination of a shrinkage in the total number of jobs in many industries and the long-term shift in the nature of the work force confronts trade unions with a declining future unless they can appeal persuasively to the growing army of clerical and professional workers. But so far all the loudly-heralded organising campaigns of the AFL-CIO have proved futile; now not even the shadow of a recruiting drive is going on, except for low-keyed efforts among teachers and some groups of civil servants.

A further complication is that the best answer collective bargaining has produced for the problem of technological displacement lies in attrition—the principle that no regular employee will be laid off because of new machinery and that savings in manpower will be made by not filling vacancies when workers die, retire or leave of their own accord. While this plan protects the individual member of a union, its long-term implication for trade unions in general is "slow death," as Mr Elmer Brown of the Typographical Union recently observed. It also means that protective walls are built up around the work place, thus sharpening the conflict between the unionists inside and the jobless who are outside eager to get in—principally the young, the Negroes and other excluded minorities.

Labour faces these deepening problems with an ageing and complacent leadership still mired in the slogans of twenty-five years ago. Mr Meany himself is 71 and half the members of the federation's ruling Executive Council are past 65. In recent months the rank and file in several key unions have been showing increasing signs of restiveness. The United Steel Workers of America voted out their president and so did the International Union of Electrical Workers. The head of the Atomic, Oil and Chemical Workers decided not to stand for re-election after it became evident that he could not win.

Unfortunately, the new leaders seem little better qualified than those they replace to bring creativity to the challenges of an era of revolutionary change. Unions are winning sizeable wage rises for their members, so sizeable that they are jeopardising the Administration's anti-inflation guideposts which set limits for permissible increases. But these victories are taken for granted by their members and, in social terms, the unions are getting more and more for fewer and fewer people. The future prospect is for an ever-closer tie-in with the Administration, with labour being less a leader than a junior partner. This is a new relationship for a trade union movement that has always prided itself on its freedom from government domination and on its political independence.

UNEMPLOYMENT

More people—almost 75 million of them—were at work in the United States in July than ever before and the rate of unemployment was lower than for nearly 8 years. Particularly satisfactory was the decline in the rate of unemployment among teenagers, even though about 1.1 million of them entered the labour force; special efforts being made to find jobs for them were obviously being successful but even so over 13 per cent of them were still out of work.

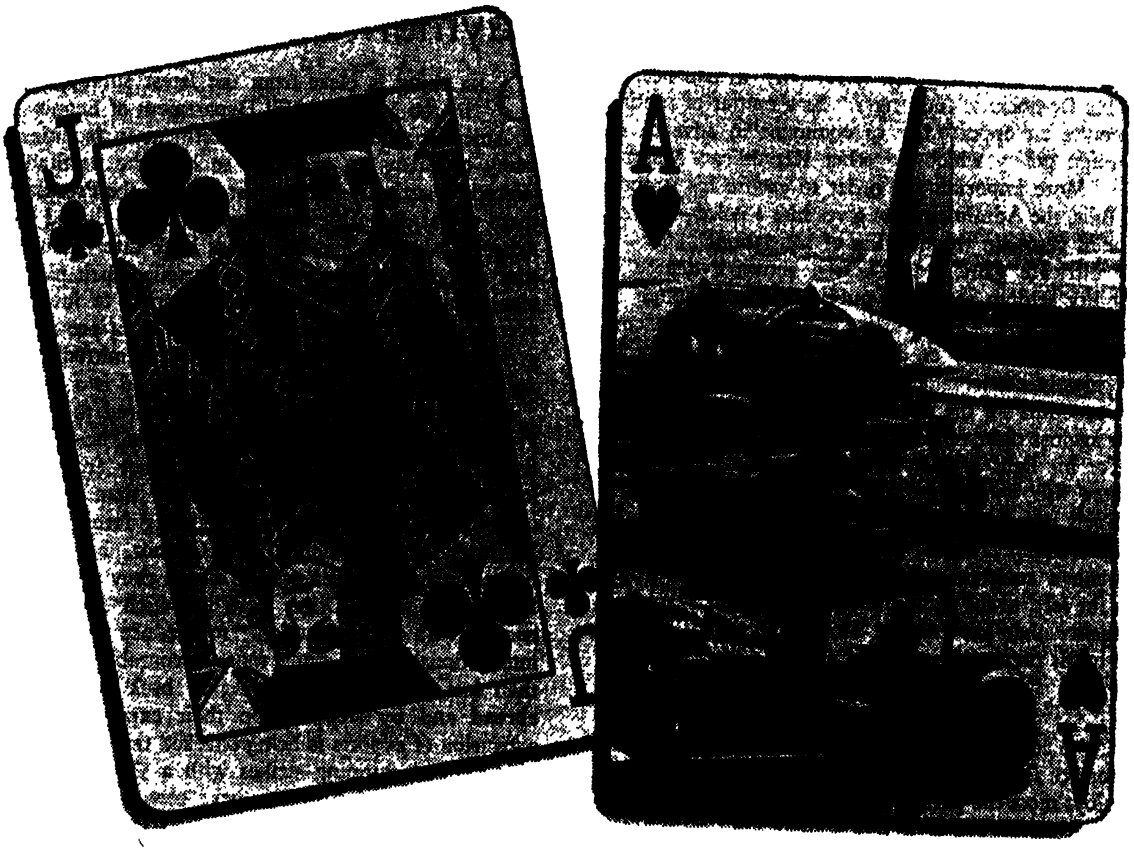
Magician in the Senate

WASHINGTON, DC

When Senator Everett McKinley Dirksen failed on August 4th to win the two-thirds vote necessary for Senate approval of his proposed amendment to the constitution (which would have permitted seats in one house of State Legislatures to be apportioned on a basis other than that of population), many people were surprised to find that Mr Dirksen's power had finite limits after all. But the real wonder is that the Republican leader did so well. Reapportionment on a strict "one-man, one-vote" basis, which is now required as a result of the Supreme Court's decision in 1964, will be decidedly to the advantage of the Democratic party in State Legislatures. Yet the Dirksen Amendment ("my brain child," he calls it) won a majority of votes—57 to 39, with 64 being needed for passage—in the heavily Democratic Senate, Senator Mike Mansfield, the leader of the Democratic majority, openly supported Mr Dirksen. President Johnson was genuinely neutral. Mr Dirksen is expected to bring the matter up again, with a fighting chance of winning the two-thirds majority next time.

Win or lose, however, Mr Dirksen's performance on this issue underscores his unchallenged status as uncrowned king of the Senate. Just how he has worked himself into this dominant position puzzles even some fellow Senators. Not only has the Senate been controlled two-to-one by the Democrats ever since Mr Dirksen became leader of the Republican minority in January, 1959, but his own ranks in the Senate have become increasingly riddled with the ideological rivalries that plague the Republican party as a whole. At 69 Mr Dirksen suffers from chronic ill health that keeps him in and out of hospital. Garrulous and anecdotal, his manner is totally out of phase with the new look in American politics which stresses youth, dynamism and "style." His rise to the peaks of political power so late in life is more than an anomaly; it is an enigma.

At the root of the Dirksen phenomenon is the lack of discipline in American political parties. Because reactionary southern Democrats can be counted on to defect on many issues, the Democratic leaders are always liable to need Republican votes to close the gap. Hence, a working relationship with the Republican leader is desirable. Mr Dirksen has capitalised on this desirability with single-minded purpose. By giving Presidents Kennedy and Johnson aggressive and effective help on such matters as appropriations for foreign aid, the treaty banning nuclear tests and, above all, the



Jack of all trades...master of one

SPECIALISTS IN
TRANSATLANTIC AIRFREIGHT

daily distribution service
for **ALL TRADES** between
U.S.A. and Europe

CALL YOUR AGENT, FORWARDER, OR

SEABOARD WORLD AIRLINES

SCHEDULED TRANSATLANTIC CARGO

PRESIDENT'S "E" AWARD FOR EXCELLENCE IN EXPORT

U.S.A. • CANADA • IRELAND • UNITED KINGDOM • FRANCE • SWITZERLAND • BELGIUM • NETHERLANDS • GERMANY

CONNECTIONS TO THE REST OF THE WORLD

Civil Rights Acts of 1964 and 1965, he has made the White House feel itself deeply in his debt. The results are concrete and formidable. When Mr Dirksen was standing for re-election from Illinois in 1962, President Kennedy gave only a half-hearted endorsement to his Democratic challenger. As a matter of routine, Mr Dirksen receives an opportunity to comment in advance on decisions on foreign policy which no other Republican Member of Congress has. More important, in order to ensure his support of controversial Bills, the Administration gives him a voice—indeed, a *de facto* power of veto—in the drafting of legislation.

To play this intricate game, Mr Dirksen shows a degree of ideological flexibility seldom seen in a public man. Although he has long been known as a "conservative" Republican, his conservatism has consisted largely of dogged loyalty to the special interest groups, mostly conservative in nature, who support him for office. This accounts for the pugnacity he showed in his long, rearguard action against tight regulation of the drug industry and, more recently, for his fight against the reapportionment of State Legislatures, since this will undermine the power of the rural politicians of Illinois who form his political base. But loyal as he is to friends, Mr Dirksen is a will-of-the-wisp when it comes to doctrine. Through a congressional career dating back to 1935, he has darted to the left, to the right and then to the left again in a dazzling performance that has enabled him to play a half-dozen parts leading up to his present pinnacle.

MR DIRKSEN, who confesses that his first love was the stage and who still orates in the rich baritone of an old time Shakespearean actor, enjoys most the part of gay deceiver. After a decade of being highly critical of the civil rights movement within the privacy of the Senate cloakroom, he stunned his southern friends by his support of the 1964 Civil Rights Act. Then, just as the liberals generally, and particularly the liberal Republicans, were about to accept him as one of their own, he stunned them by endorsing Senator Goldwater for the Republican presidential nomination last year. These were not acts of flippancy. Support of the Civil Rights Act was necessary to put the Administration in his debt; support of Mr Goldwater was necessary to maintain his influence on the Republican right. A man of more rigid ideological scruples could not have pulled it off.

Another element in Mr Dirksen's mastery is the juggling by which he contrives always to appear, to the White House and to the Democratic leaders in the Senate, as bigger, or at least stronger, than he really is. In retrospect, it is highly debatable just how indispensable his support was during the last four years in securing passage of all those Bills for which he takes credit. Nor does the fate of Mr Johnson's policy on Vietnam depend quite so much on Mr Dirksen's continued approval as both he and the White House would imply. Mr Dirksen has certainly overpersuaded Senator Mansfield, his opposite number who leads the Democratic majority, of the need for the Dirksen sanction of any action he takes. A man with little taste for power, Mr Mansfield defers assiduously to Mr Dirksen. A strange situation results, one that would be barely conceivable if either the Republican or the Democratic leadership in the Senate were in different hands.

Finally, Mr Dirksen stands so high partly because the quality of the Senate's membership has declined in the last decade. In an age where glib, genial young men worry about their public relations and leave the legislative chores to their mushrooming staffs, Mr Dirksen runs a one-man show. Like many elderly men in poor health, he sleeps little. He spends much of the night reading documents, equipping himself with a formidable weapon in a Senate of the ill-informed. Thoroughness added to guile, flexibility and charm make the phenomenon of Mr Dirksen's dominance, in an era of Republican decline, less unaccountable than it may seem.

Payments under restraint

ONE thing is clear from the latest survey, conducted in July by the McGraw-Hill Department of Economics, of the plans of American companies for investment in facilities overseas. Not many of them are prepared to lose the profitable opportunities offered by such investment just because the President has requested them to cut down their outlays of dollars abroad in order to bring America's international accounts back into balance. Only 14 per cent of the firms surveyed have curtailed their plans and altogether manufacturing and oil companies expect to invest $5.4 billion in overseas plants this year, an increase of 14 per cent over 1964, the greatest annual gain in ten years. Admittedly so far plans for 1966 will add only 7 per cent, but 1966 is a long time ahead.

However, these companies are prepared to co-operate with the President (knowing that if they do not, he will make them) by financing these new investments either from money borrowed locally, a good deal more expensively than in the United States, or from the earnings of their existing foreign subsidiaries. The Secretary of Commerce, Mr Connor, has just complimented American businessmen on the efforts they are making to save dollars in this way. Other ways in which companies are trying to comply with the instruction "to produce a balance sheet for their international transactions more favourable to the United States than last year's" is by bringing back their liquid funds from abroad and by stepping up their exports. Unfortunately the expansion of exports is being checked this year by the combination of dock and shipping strikes with a slowing down of growth in Europe and Japan. Imports have been booming, so the 1965 surplus on the trading account is unlikely to reach last year's $7 billion—and the tourist "gap" is widening.

This is one reason why Mr Connor does not want the cheering fact that America's international payments were in balance in the second quarter to encourage any relaxation in the efforts to check the flow of dollars abroad. Another, although no one has estimated its impact publicly, is the intensification of the war in Vietnam. A third is that bankers may not be so successful in holding down their loans to foreigners during the rest of the year as they were during the second quarter. So far, at least, bank profits do not seem to have suffered from this turning away of "good business," but not even the Federal Reserve Board expects bankers to continue to exercise such voluntary restraint for ever. The end of 1966 is officially thought to be about the limit and this applies to manufacturers and businessmen as well. Whether some other form of restraint will then be desirable is still a moot point.

Water everywhere . . .

IN the arid West water is so scarce that it has always been treated with the respect which it deserves. Now it is the turn of the normally spoiled Northeast to go without. According to the President's new Water Resources Council, the region is suffering from the most prolonged drought in its history; if this goes on for a fifth year preparations should be made for a "devastating emergency," particularly in the basin of the Delaware River where 20 million people live. Governors, Mayors and Congressmen from the four basin states were summoned to Washington this week for a special conference at the White House on the crisis. New York City has been warned that it will run out of water by February if present conditions persist. The Delaware River itself is so low that salt water is creeping up toward Philadelphia's intake pipes; to combat this New York City has to release water from its own scanty reserves into the river.

Restrictions and voluntary co-operation—one fountain in a New York shop is spouting gin instead of water—are cutting consump-

tion. But for permanent "drought-proofing" minds from that of the President down are turning to the desalting of sea water; this year Congress has been exceptionally generous with funds for experiments in methods of doing this. Governor Rockefeller of New York has already authorised the American Machine and Foundry Company to build the country's first nuclear desalting plant at Riverhead on the tip of Long Island and New York City is being joined by federal officials in a survey of the possibility of relieving the city's drought by building similar plants. Federal agencies are already co-operating with Los Angeles in studying the feasibility of a big plant in southern California which would bring down the cost of fresh water by producing electricity as well. A recent report from the Bechtel Corporation suggests that such a dual purpose plant, costing about $300 million, might provide fresh water for about 25 cents for a thousand gallons compared with $1 from existing plants.

Water experts are inclined to take this enthusiasm for desalination with a pinch of salt. They argue that the United States as a whole is blessed with plenty of fresh water if only it were managed and distributed properly. And the country uses so much that the contribution of desalting plants is likely to be only marginal. The capacity of the Riverhead plant is to be a million gallons a day; New York City already uses in normal times 1,300 million gallons a day. Perhaps as much as a quarter of this runs to waste. The cheapness of water has been the undoing of the Northeast. Only about a third of New York City's consumption is metered; the price is only 14 cents a thousand gallons; and it requires political courage (or desperation) even to suggest that meters should be installed everywhere and that the price of water should go up to induce economy. The supply, moreover, could be increased many times if so many rivers and lakes were not polluted by untreated municipal sewage and industrial wastes and if states like New York would join in the federal attack on pollution. The new Water Resources Planning Act may help to get such co-operation.

Partisan Rights

FROM A CORRESPONDENT IN CHICAGO

So far the civil rights summer in Chicago has been long but not so hot as many had expected. To be sure, there were something over 700 arrests after the big drive got started on June 10th. But they were deliberately provoked by both white and Negro demonstrators as a form of civil disobedience. The police co-operated by having paddy wagons almost as big as London buses ready; their purpose was to keep traffic moving when the demonstrators sat and lay down in the street, not to assert white supremacy. Otherwise the police protected and opened the way for the marchers; charges of brutality had little validity and were made chiefly for effect.

In Chicago the civil rights movement is run by the Co-ordinating Council of Community Organizations, an amalgam of 28 groups which include not only the standard organisations, such as the National Association for the Advancement of Coloured People, the Congress of Racial Equality and the Student Non-Violent Co-ordinating Committee (SNCC), but neighbourhood associations and a number of religious bodies, not the least of which is the Catholic Inter-Racial Council which has encouraged both nuns and priests to join the struggle. Often half the column has been white in the marches on City Hall which have been almost daily events for the past two months.

The original object was to force the removal of the School Superintendent, Dr Benjamin Willis, who shows no sign of leaving his $48,500-a-year position. A devotee of the "neighbourhood school" (which means that children go to school near where they live), Dr Willis is accused of fostering the continuance of that *de facto* racial segregation in education which is the result of Chicago's segregation in housing. Mayor Daley, "the last of the big city Democratic bosses," who appoints the Board of Education which appointed Dr Willis, insists against all objective evidence that he can not and should not put pressure on the board. He tried to outflank the Co-ordinating Council by offering not only to meet its leaders but also to get them a hearing before the board. After listening to their complaints, the board did insist that Dr Willis name a special assistant for integration (a move he had resisted before). Disturbed by the bad "image" Chicago was getting, the leaders of the business community, who work closely with the Mayor, also issued a call for integrated schools and for the speedy selection of a successor for Dr Willis, who is due to retire in December, 1966, to serve as an understudy.

These were gains, but hardly the unconditional surrender which was all the civil rights leaders would accept. The net result was stalemate, with the protest movement showing signs of wearing itself out. Into the breach came Dr Martin Luther King, the head of the Southern Christian Leadership Conference, who has been on a "people to people" tour of northern cities to demonstrate his concern at the increasing segregation in them. He spent three days in Chicago, riding (often at 70 miles an hour) from one Negro housing development to another, from a "mink ghetto," a middle-class Negro neighbourhood, to a bleak west side slum, in a long black Cadillac behind a police car. He spoke to perhaps 30,000 people. He preached in Negro churches. He extolled non-violence and he led a march—the biggest ever—on City Hall.

In his wake he left a civil rights movement with new objectives, some spelled out in detail by his lieutenants. The word is still "fight Willis-ism" (an awkward slogan), but this is now defined as opposition to Negro aspirations in any field—housing, welfare, employment—not just in education. Soon after, the objective of the daily marches was shifted from City Hall to Mayor Daley's home, a modest one-floor brick house in the lower-middle class neighbourhood of his birth. The change was more than geographical. The activists in the civil rights movement are now focusing on the Mayor rather than on the School Superintendent. Their demands are, of course, political but the direction that they now want to go in appears to be not only political but partisan.

The reaction in the two-square-mile neighbourhood, called Bridgeport, was bitter and often furious. The second night the police arrested 65 of the 100 people who were picketing the house, because the neighbours were becoming ugly and the pickets refused to go home. On following nights the heavy police guard inhibited overt threats except for the occasional throwing of eggs and tomatoes. But more important, a hundred husky Democratic

party henchmen had been rounded up to act as peace-keepers; at the same time, every household was given counter picket signs, professional jobs that read: "We Know and Love our Mayor" . . . "Daley is for democracy, pickets are for publicity" . . . "Great City, great Mayor" . . . "Go back to your own neighbourhood, we have peace here." Most of the hoots and cat calls were from teen-agers. But the grim-faced families who stood in clusters in their front gardens clearly approved.

Here, in short, the civil rights movement had forced, for the first time in its current campaign, a black-white confrontation like those in the South. Previous marches on City Hall had drawn stares, but in the North such a march is not an invasion. It seems, however, to be an invasion when it crosses into an all-white neighbourhood—particularly into one like Bridgeport, with an Irish-German-Slavic mixture of residents—and centres on a private residence. The kind of "backlash" Governor Wallace of Alabama banked on last year is being revived in Chicago—indeed there were "Wallace for President" signs and a few confederate flags on display. The police officer in charge had a simple solution for this tense new collision: "Arrest the cause, not the mob. If I had arrested the crowd I would have had a riot on my hands." The answer of the Negroes was to ask, at least half seriously, for the Department of Justice in Washington to send in United States Marshals to protect their right to picket.

Although this turn of the civil rights movement in Chicago toward political activism is still but a few steps along the road, it challenges Mayor Daley where it would really hurt. His machine embraces what has been called a Negro submachine that uses every standard pressure and tactic to turn out huge Democratic majorities on election day, by the use of threats and rewards for residents of city-run housing developments, for recipients of welfare benefits and for holders of city jobs. For these people Dr King's lieutenants (who talked "pork chop" politics while he quoted the Scriptures) had a simple message: the machine needs you more than you need the machine. Negroes make up 900,000 of the city's 3,500,000 inhabitants. That simple statistic is likely to bear more heavily on Mr Daley's mind than columns of marchers singing "We shall overcome" outside his window.

Club Plane

FROM A CORRESPONDENT IN INDIANAPOLIS

A PLANE load of 87 holidaymakers from the Middle West landed at Indianapolis airport recently after completing a 16-day tour of Europe which included stops in London, Paris, Zurich and Rome. And the round-trip air ticket cost only $250 each. They are all members of the Voyager 1,000 club which was formed in Indianapolis earlier this year to combine the fun of belonging to a club with the specific advantages of cheap travel. Each member pays $100 to join and a monthly contribution of $4. In return, members can fly in a four-engined, propeller-driven aircraft to faraway places at rock-bottom prices as often as they wish. The aircraft, a DC 7B, something like a Constellation, is owned by the club; it cost $85,000. As soon as there are 87 members who plan to go to the same place for the same length of time—anywhere in the world—the aircraft is brought out at the city airport. It is flown by a crew of three. There are no air stewardesses, no meals are served on board and, of course, the expense of chartering an aircraft, one of the most popular ways of travelling cheaply today, is avoided.

A recent Thursday-to-Sunday night jaunt from Indianapolis to Acapulco, a Mexican pleasure resort, cost each passenger only $94 for the return fare. A hunting and fishing trip to the wilds of Ontario in Canada is planned for next year with the air fare calculated at $30 return. Rio de Janeiro is on the books for next February. Since March, members have taken jaunts to the Bahamas, Los Angeles, Miami and New York, as well as Mexico and Europe. Occasionally a "mystery flight" is arranged; members have no idea where the aircraft is heading until the wheels are off the ground. They are, however, tipped off in advance about the clothes to take with them. The club had its full complement of 1,000 members within four months of being publicised. A Voyager 2,000 club is now being formed, but the fees are being raised slightly.

Cars in Clover

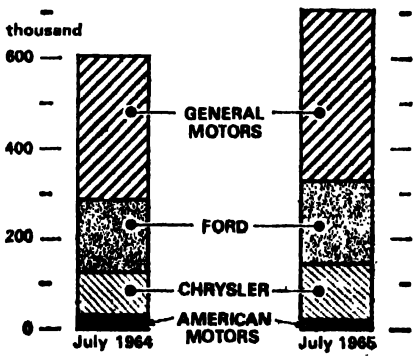
For the three big automobile firms—the General Motors Corporation, the Ford Company and the Chrysler Corporation—the 1966 model year is ending in a euphoria that makes their present plans to expand their capacity so as to be able to produce 10 million cars a year look almost niggardly. They will have produced almost 9 million this year, breaking records for the third year running. Sales, earnings and profits are breaking all records also.

The stock market can collapse, the war in Vietnam can blow up, but it makes no difference to the American car buyer, conscious only, it seems, of his rising income. Over 710,000 cars were sold in July, compared with 603,000 in July, 1964. General Motors has delayed closing down some of its plants for the changeover to 1966 models because the demand for the 1965s is still so pressing. The usual seasonal slackening in sales is absent, partly perhaps because the cut in excise taxes, which motor manufacturers and dealers have apparently passed on to their customers in full, has reduced the average list price of a car by between $65 and $75. Used car prices are high so trade-ins are worth while. More and more families—nearly a quarter of the total—now have more than one car and customers produced by the postwar baby boom are flooding into the dealers' show-rooms.

Summer car buyers are shopping for bargains but the characteristic of the car market this year has been the demand for luxury, a demand which the new 1966 models are being designed to fill. The present boom in cars really dates from the time when the cheap compact car became everybody's darling—but now the compact is being stretched out again. The people who want genuinely small cars buy Volkswagens from Germany and no American company bothers to compete in this field. Nor will anyone bother until it becomes difficult to sell big cars again.

The one company doing badly is the originator of the compact, the American Motors Corporation. Its good idea gave it 7 per cent of the car market in 1960; this year its share has fallen to 3.7 per cent. It is still making a profit and is doing better abroad than at home, but its dividend has just been halved. What the company needs is another good idea but this time all these seem to have been pre-empted by its competitors.

Sales of American Cars



BOOKS

Chronicle of a Failure

The Liberator: *Daniel O'Connell and the Irish Party, 1830-1847.*

By Angus Macintyre.

Hamish Hamilton. 364 pages. 50s.

"Men may agree," writes Mr Macintyre in the introduction to his valuable book, "with the judgment of the historian Sir Llewellyn Woodward (and of Charles Greville) that the Liberator's 'best work for Ireland was done before 1830.' If this verdict is not necessarily to be reversed, it will at least be valuable to understand the grounds for it." This understanding Mr Macintyre gives us, with both scholarly thoroughness and a sense of compassion characteristic of all the best work, in good faith, on the Irish tragedy. He analyses and chronicles a process of failure: the failure of an elderly aristocrat, a Roman Catholic, a barrister and a legalist, a believer in "moral force," a Malthusian and political economist, an upholder of established social order, to repeal the Act of Union and to restore the native public life of a country whose social base was a multiplying, increasingly landless, starving and insurrectionary peasantry.

The essence of O'Connell's failure, as Mr Macintyre makes clear, lay in the fact that he did not understand that national independence and self-government in Ireland would necessarily involve a programme of social reform. This the Young Ireland movement understood, even though they too were swept aside in the same catastrophe of famine as finally ruined the Repeal movement. Feargus O'Connor, O'Connell's great enemy, understood it. The Fenians understood it. Isaac Butt and Parnell both understood it. Though Parnell was as little enthusiastic for reform as O'Connell—perhaps less so—he saw the necessity of seeming to co-operate with Davitt.

Clearly, at the bottom of O'Connell's mistake was his optimism. He shared with English Radicals like John Stuart Mill in 1830 the misapprehension that the future was on his side. This was understandable in the year that saw not only the dismissal of the Bourbons in France, the end of Dutch rule in Brussels, and revolutionary upheavals in Germany, Italy and Poland, but also the failure, for the first time in the history of the British parliamentary regime, of the government to secure a satisfactory majority in the House of Commons. O'Connell had behind him the glory and the prestige of Catholic Emancipation in 1829. But this triumph was largely symbolic rather than practical; and it did not represent, in social terms, a solid and lasting basis of effective political action. O'Connell expended his capital of prestige fruitlessly for the next seventeen years, and died a broken and beaten man while on pilgrimage to Rome.

O'Connell imagined that Repeal would follow naturally upon Emancipation. He did not realise that to the Whigs, his indispensable allies, there was a world of difference between symbolic or partial concessions and serious concessions. With that hard-headed selfishness that became them so well, the Whigs understood the social implications of Irish nationalism and Repeal, as they did later of Home Rule. This led them indeed into the mistake of assuming that O'Connell's Repeal movement was responsible for the chronic social disturbance in Ireland. The tragedy is that it was O'Connell—and Ireland—who paid for the Whigs' mistake. O'Connell imagined that constitutional concessions would stem social and national unrest. Gladstone made the same error. In 1889 he looked back on O'Connell as "a prophet of the coming time" of Home Rule. Gladstone tried to do the Liberator "historical justice" by defending his name and reputation against the viciously anti-Irish public opinion in England led by *The Times*. O'Connell and Gladstone both represented the principle of governing Ireland by a native ruling class of socially conservative, mainly Catholic, gentlemen. For O'Connell especially, the dynamic elements of the Irish problem—mass starvation and nationalism—were overwhelming. "O'Connellism," as Mr Macintyre puts it simply, "had nothing to offer a starving and emigrating people."

What positive services, then, did O'Connell do for Ireland? He created an heroic myth. And certainly he did one very important practical thing: he was the first leader of a strong and well-organised third party in British parliamentary history. He led the first considerable assault on the hitherto unchallenged electoral position of the Whig/Tory political establishment. These things were more important, Mr Macintyre rightly argues, than is generally believed. "But if later Irish nationalists learnt the lessons of O'Connell's ultimate failure," he concludes, "they tended also to forget that the real ancestor of the independent party of Isaac Butt, Charles Stewart Parnell and John Redmond was the Repeal party as it emerged from the 1832 Election."

The Yellow Peril Myth

China and the Bomb

By Morton H. Halperin.

Pall Mall Press. (World Affairs Special Series.) 176 pages. 30s.

Those who would see China as a trigger-happy juvenile delinquent, capable of setting off a holocaust with a new nuclear toy, need look no farther than the Chinese press for support. Mao's famous "paper tiger" epithet applied both to imperialism and to atomic bombs; his credo that man, not weapons, will determine the outcome of war; assertions that if war should occur, communism would survive to rule the world—such expressions of Chinese self-confidence have helped to create the image of a leadership ignorant of the consequences of nuclear warfare and indifferent to them.

In the first book-length study of Chinese nuclear strategy to be published after China's atomic breakthrough, Dr Morton Halperin explodes this myth of the yellow nuclear peril. He blames the Russians for having deliberately fostered the impression of Chinese nuclear warmongering when, in fact, Chinese and Russian views differ only in emphasis. He argues that the Chinese communists have always been restrained in the direct use of military force and that possession of the bomb will make them even more cautious because of the greater possibility of an American pre-emptive strike.

Dr Halperin foresees no situation in which the employment of nuclear weapons would actually be contemplated by the Chinese or would even be useful in expanding Chinese influence. But as a good games theorist he must allow for every contingency, and therefore he devotes a third of his short book to projections of conflict situations, possible Chinese actions and Soviet and American reactions. He might have emphasised more strongly the likeliest probabilities; thus, only in a footnote does one discover that he thinks that the American government would reject suggestions to eliminate a potential threat from China by bombing its nuclear installations.

While the most valuable part of this book is the clear and sensible insight into China's attitudes toward nuclear power, the author, who is a member of America's brains trust on arms control, obviously prefers to think of himself as an adviser to presidents. On the justifiably pessimistic assumption that the all but insoluble problem of Formosa will continue to bar a Sino-American detente, he makes proposals within the narrow limits left to him. In a tone more suitable to a confidential memo, he suggests that America launch propaganda campaigns

to lessen Asian fears of a nuclear China and to increase Chinese fears of Soviet non-intervention in a Sino-American conflict. He sees as the greatest hope for peace in the Far East the possibility of a *de facto* American-Russian nuclear deterrent against China.

Forecasting that China will not attain major intercontinental nuclear capacity before the 1980s, Dr Halperin accepts the current level of American nuclear strength in the Pacific as sufficient. He is sceptical about China's sincerity in advocating general disarmament and doubtful about the value of undertaking any negotiations with China at this point. He is oddly contradictory in advising America both to propose and not to propose a nuclear free zone in the Pacific. But this inconsistency is one of the few flaws in a thoughtful and timely book.

Missed Opportunities

The French Socialists and Tripartisme, 1944-1947

By B. D. Graham.

Weidenfeld and Nicolson. 299 pages. 40s.

This is a book about missed opportunities and political frustration. Labour's 1945 victory convinced the French Socialist Party (SFIO) that it was the future. But the militants, equally suspicious of internal reform and the electorate, refused to welcome newcomers from the Resistance into their cosy little local parties. It was up to the middle classes, said Guy Mollet, "to come to Socialism, and not for Socialism to go to them." So the party lost support at each successive election and still had to govern with both MRP and the Communists. Bilked of the inevitable triumph of the SFIO if not of socialism, the party turned on its leaders in 1946 and elected M. Mollet as secretary-general.

Dr Graham's account of these crises is detailed, thorough and curiously one-dimensional; it will therefore appeal only to specialists. This is a pity, for the problems dealt with are surprisingly topical. Refusing to follow either General de Gaulle or the Communists, the SFIO also refused to abandon the myth that it was a revolutionary class party. Tied to an outmoded anti-clericalism, it thus denied itself the opportunity of forming the basis of a new left-centre majority force. Are the experiences of Daniel Mayer in 1946 and Gaston Defferre twenty years later so very different? M. Mollet is still secretary-general.

Recent events (and not only in France) provide plenty of examples of parties driven in on themselves and into internecine conflict by electoral defeat, and of the permanent tension between parliamentary and "revolutionary" socialists. Foot and Pivert still shadow box Gaitskell and Blum—for the benefit of Mollet and Wilson. Political parties, which insist on having both their virtue intact and political power, sometimes find themselves with neither.

Save in His Own Country

Fire under the Ashes: *The Life of Danilo Dolci*

By James McNeish.

Hodder and Stoughton. 255 pages, illustrated. 30s.

A few years ago only two living Italians were honoured with a biographical notice in the revised edition of the "Encyclopaedia Britannica." They are Danilo Dolci and Enrico Mattei. Now Mattei is dead and his figure towers in his own country as visible as it had been, at greater distance, during his life. Dolci is alive, and it is still hard for his own countrymen to understand his dimension. There are not a few educated Italians who have barely heard of him. Outside Italy the Dolci story has been widely publicised. But the tellers have been so fascinated by the originality of their hero—even Mr McNeish, in this otherwise admirably balanced account, insists too much on the "un-Italianness" of Dolci—that they have tended to make his contribution towards the awakening of a modern Italian social conscience look like the work of a lonely rebel, a dedicated eccentric, instead of showing it as a breakthrough achieved at the summit of a long process of cumulative meditation on the South, in which the outstanding landmarks, in our generation, are the works of Carlo Levi and Ignazio Silone.

Dolci's books, particularly "The Outlaws of Partinico" and "Waste," make a comparable impression, but he is the first Italian to step out of a literary tradition and dedicate his life actively to the retrieving of an outlawed and abandoned social group. Gandhi is his model. Dolci's chosen terrain in West Sicily, for all its smallness, is more stubborn than the environment in which Gandhi had to work, for it lacks the ferment provided by a struggle for national freedom. Regionalism, in Sicily, has proved a device for the conservation of entrenched power, the "change to prevent change" apprehended by Lampedusa's "Leopard."

It is not really possible to draw up a balance sheet of what Dolci has achieved in Sicily after thirteen years of work there, collecting information, fasting and organising new forms of non-violent protest, setting up again and again his internationally staffed development centres, many of which have toppled down like miniature towers of Babel. One can but agree with Mr McNeish that some of the changes for the better that have occurred on the island would probably have taken at least two generations longer without the Dolci pressure. Thanks to him, West Sicily has become a focal study point for social work in similar areas in the Mediterranean Basin. Mr McNeish finds that, although Sicily is changing faster than ever before, the changes are not deep. Outlawry remains, and while the Mafia as a business racket may crumble, as a cult or an ideology for the proud and the backward, it is likely to persist. This, he claims, is what makes Sicily provide

> the most disturbing as well as the most fascinating sociological pattern of the age. Other countries contain one or two elements of backwardness. Sicily, awakening fitfully from the wreckage of sixteen civilisations, contains elements of them all.

Dolci himself claims that some of the basic problems of more evolved societies could be resolved more easily through a clear analysis of the work he and his helpers are doing in West Sicily.

The heroic period of Dolci's struggle with Italian authority is over. Some of the men who have believed in him are now actually in or on the fringe of government. Even the Catholic Church, after the fourth session of its Ecumenical Council, may cease to regard him as an agent of Satan. There is a danger, as Mr McNeish pointed out to Dolci, that industrialisation may overtake him before his task is done. There is also a danger, not mentioned in this book, that *trasformismo* at the heart of Italian politics may prove more difficult to contend with than the hostility of a conservative Establishment. Dolci has one answer to all this. "With diligence I am continuing."

Rape of England

Landscape in Distress

By Lionel Brett.

Architectural Press. 159 pages, including illustrations. 30s.

This wry, passionate book uses the anti-ugly technique to devastating effect, because it uses it thoughtfully. The approach could not be more simple. Lionel Brett (Lord Esher) sent a team of young architects from his office to survey a slice of 'rural' England—the southern half of Oxfordshire—and record what they found. Step by step, they compared what their eyes told them with what the official maps and planning policies wishfully supposed was—or was not—there. Speculative builders' "ideal homes," farmers' junk heaps, wires, concrete, car parks: here they all are in a well illustrated commentary that gives ample space, too, to such calm beauties of landscape and village scene as remain. This is done with wit, and without the usual architects' arrogance:

> There was something embarrassing and even shameful in snooping about these villages with camera and notebook, photographing for our aesthete's bestiary spick and span new houses and neat gardens in which young families were presumably entirely happy.

This indeed is the nub of the tragedy. For South Oxfordshire is one of the so-called rural areas recognised in the South-East study and elsewhere as being suitable for a (relatively) large and rapid intake of population. These people must live somewhere, and the irony of it is that it is not beyond the wit of man to fit them into a county like Oxfordshire in ways that would do far less damage (even positive good) to the scene than the casually insensitive

developments, squandering space and opportunity, that have been allowed in recent years. Most of the horrors here are comparatively new; but almost none of the pleasant things are. All, the architects included, get a share of the blame. But perhaps most must go to the county authorities, in partnership with the elaborate but here provenly ineffectual town and country planning machine.

True, as this book points out, we cannot tell where the planners have successfully thwarted some terrible deed. The prewar bogies of ribbon development and indiscriminate advertising have been cornered. But counties like Oxfordshire—which is neither best nor worst in this respect—need to think creatively as well as preventively if anything of the unique and subtle English country scene is to remain. For a start, all members of county planning committees should read this book. Then, like its authors, they should use their eyes.

Why Comedy?

A Natural Perspective: *The Development of Shakespearian Comedy and Romance*

By Northrop Frye.

Columbia University Press. 168 pages. 28s.

Shakespeare's Early Comedies

By E. M. W. Tillyard.

Chatto and Windus. 216 pages. 25s.

In the four sparklingly discursive essays that make up his new book, Northrop Frye carries further the exposition of comic form already begun in his "Anatomy of Criticism." As readers of the "Anatomy" will know, Professor Frye is a wide-ranging, perceptive and original critic, who at times makes one feel that he is almost too clever for his own good: such wit and such mental agility may make him positively suspect in some quarters. And it is true that his new book is so unobtrusively well organised and so alluringly readable that its hard substance may actually be overlooked—swallowed at a gulp and forgotten rather than soberly masticated and remembered. It is short enough to be given (and it fully deserves) two immediately consecutive readings.

Why has such a genre as comedy evolved? And, in particular, why such a form as Shakespearian comedy and romance? What aspects of reality nourish and shape it? What are its characteristic structural devices expressive of? Professor Frye's approach to such "formal" questions avoids triviality by continuously engaging with the substance of the plays. Thus, on *The Comedy of Errors*, he observes:

> Strained as it may sound, I feel one reason for the use of the two sets of twins in this play is that identical twins are not really identical (the same person) but merely similar, and when they meet they are delivered, in comic fashion, from the fear of the loss of identity, the primitive horror of the doppelganger which is an element in nearly all forms of insanity, something of which they feel as long as they are being mistaken for each other

Professor Frye is seen at his best, sound as well as brilliant, when he insists on the specifically theatrical nature of Shakespeare's work and relates the structural devices of the plays to the presence of that mysterious entity, the audience. Several of the comedies have "outsider" characters, who either challenge or stand aloof from the festive mood in which the plays often end. Mr Frye interestingly divides these outsiders into two groups—the fool or clown (Touchstone, Feste) and what he terms the *idiotes* (Jaques, Malvolio)—and he points out that the two are often linked with each other, "usually by antagonism, for isolated characters do not form a society." He explains that: "in any well-constructed comedy there ought to be a character or two who remain isolated from the action, spectators of it, and identifiable with the spectator aspect of ourselves."

In accordance with his admirably clear-sighted structural approach, Mr Frye has no truck with that school of critics concerned with educing from the plays moral or philosophical propositions: the plays "are existential facts, and no understanding of them can incorporate their existence." And again: "Shakespeare's 'meaning' or poetic thought can be expounded only through a structural analysis of the play which keeps the genre of the play in mind as an essential part of the critical context." The last clause is important; and Professor Frye is well equipped to illuminate those aspects of the comedies and romances that he terms "conventional, popular and primitive." Of special interest here is the attention he gives to Shakespeare's marked preference for the old fashioned and archaic and to his fondness for "reviving the obsolete." The book is a delight to read; and its brilliant third chapter, which describes "the typical structure of Shakespeare's comedy," ought to become widely known.

Dr Tillyard's posthumous book is slighter. It is pleasantly and unpretentiously written, but is neither challenging nor very stimulating. We are told (unconvincingly) of Adriana, the heroine of *The Comedy of Errors*, that "the root of her trouble is stupidity" and (more plausibly) that the young courtiers of *Love's Labour's Lost* do not necessarily win their mistresses—they will only win them if they learn to grow up. These essays make agreeable reading, but are too desultory and relaxed to leave much of a mark on the mind.

A Matter of Comportment

The Polite World: *A Guide to English Manners and Deportment from the Thirteenth to the Nineteenth Century*

By Joan Wildeblood and Peter Brinson.

Oxford University Press. 304 pages, illustrated. 45s.

This book is a guide for use in connection with stage productions: a fact that is more or less concealed in the production of the book. At first sight, that is; on closer investigation a pattern emerges. The first two parts consist of rather superficial

MACDONALD & MUIR LTD DISTILLERS
LEITH SCOTLAND

Readings from Liberal Writers

Selected by JOHN PLAMENATZ

Burke's speeches, Locke's Treatise of Civil Government, Mill on Liberty, Tocqueville on Democracy in America, Tawney on Equality and others.

Minerva Series of Students' Handbooks *Cloth* 35s. *Paper* 21s.

The Future of Britain's Railways

ROGER CALVERT

Against Beeching's plans to cut the lines to a quarter of their mileage the author gives examples to show reshaping can mean something quite different. *Illustrated* 35s.

The Stationery Economy

Prof. JAMES E. MEADE

The first volume of a modern *Principles of Political Economy* which covers modern marginal analysis including linear programming in a static competitive economy. 35s.

Public Sector Pensions

GERALD RHODES

A new look at problems which eventually come to effect the retirement benefits of most of the population. *An R.I.P.A. Publication* 42s.

Insurance Company Investment

PRINCIPLES AND POLICY

G. CLAYTON & W. T. OSBORN

'A most valuable account of how insurance companies invest their funds' *The Scotsman*

'fascinating reading' *The Guardian*

36s.

The Conditions of Agricultural Growth

ESTER BOSERUP

The economics of agrarian change under population pressure. 22s. 6d.

ALLEN & UNWIN

historical essays on social environment. They have to be superficial as there is so much to cram in. The essays are a preface for a much more interesting detailed study of the techniques of etiquette and deportment that arose from the broader aspects of manners outlined in the essays. The text is supported with a good supply of well chosen plates and illustrations.

If the book is read Japanesewise beginning with the index, it becomes fascinating (and this is recommended as it is a very good index and leads the way through the maze of a rather bitty text). For instance, look up spitting and it leads to three interesting paragraphs explaining the history of this social (or anti-social) habit. Sneezing is of more use, perhaps, to theatrical producers, and there is much scope here for giving historical support to the production since the correct reaction to a sneeze altered down the years. In fact, this is what the book is designed to do, to fill out history by making it possible for producers to make the actions real. Most etiquette grew from practical beginnings: the formal stereotyped movements that of necessity went with heavy dresses and trains, the carrying of pomanders that went with the horrible smells, and the elaborate rules about who walked on whose left or right that grew from leaving the sword arm free for defence or more peacefully from the need to protect the ladies from the splashes of open street drains and galloping horses.

Throughout the book the facts are provided by the people themselves, with ample references. This brings it alive. We learn that in the eighteenth century it was not correct to bow or curtsy to a royal person unless in recognition of some word or look, and feel for the embarrassing situation of Fanny Burney who, standing by the Queen, was conscious that the Queen had noticed and had curtsied to her. But since Miss Burney was too near-sighted to be sure that the curtsy was intended for her, she felt in a predicament. "I dared not return what I was not certain I had received."

As this book is primarily to help producers and performers there are big gaps in it as a study of the polite world; letter-writing, for instance, is barely touched on. Perhaps it would have been better to cut down the essays at the beginning that skim over the ideals behind the behaviour, and the environment in which it took place, and to concentrate more on things of direct interest to the theatre. There is very little, for example, about the maintenance of the wardrobe and the person down the ages, which must have influenced what was worn. We know the Romans did a lot of bathing and King Arthur's court a good deal of ritual washing. After that there seems to be a gap in which we in our northern climate gave up washing things or people much until the new dawn broke with drip-dry and dry-clean. Hair styles and make-up are hardly mentioned, and there are only scrappy references to the deportment of children, who must have been considerably influenced in their behaviour by what they wore, disguised as they were throughout the period covered by this book as tiny full-dress replicas of their elders.

OTHER BOOKS

THE BRITISH LABOUR PARTY: A Short History. By Carl F. Brand. *Stanford University Press.* London: *Oxford University Press.* 340 pages. 45s.

This is a concise narrative history of the Labour party from its beginnings at the end of the last century until Hugh Gaitskell's death and Mr Wilson's accession to the leadership in 1963. It is accurate and complete but suffers from the lack of central themes, which would have made it more interesting reading.

WHO OWNS WHOM (UK EDITION) 1965: A Directory of Parent, Associate and Subsidiary Companies in Industry and Commerce. *O. W. Roskill and Co. (Reports) Ltd.* 1160 pages. £8. (Supplements £1 per quarter.)

This useful directory continues to expand, with 7,000 more entries than the year before. It gives, as usual, parent companies with their subsidiaries, followed by an alphabetical list of all companies with their parents. But companies are allowed by the publishers to delete names of subsidiaries on grounds of policy as well as of accuracy: in other words you are only given the information which the parent companies think ought to be made public. This is not enough; but compulsory publication of names of all affiliates is scarcely a matter for Messrs Roskill. It ought to be a legal obligation.

AN INTRODUCTION TO THE STUDY OF SOCIAL ADMINISTRATION. Edited by David C. Marsh. *Routledge and Kegan Paul.* 256 pages. 25s.

This volume is designed as an introductory textbook. It covers the outline of the subject matter of social administration, its growth, and its relationship to other social sciences.

THE SOCIAL SCIENCES: An Outline for the Intending Student. Edited by David C. Marsh. *Routledge and Kegan Paul.* 176 pages. 20s. clothbound, 10s. 6d. paperbound.

This book is intended as a guide for students to the nature and subject matter of the social sciences and the courses available for their study.

CAMBODIA'S FOREIGN POLICY. By Roger M. Smith. *Cornell University Press.* 283 pages. $5.75.

A painstaking review of events that ably documents the now standard view of Cambodian neutralism as an exercise in self-preservation.

THE OXFORD HISTORY OF MODERN INDIA, 1740-1947. By Percival Spear. *Oxford University Press.* 436 pages. 25s.

A reprint of Part III of the third edition of "The Oxford History of India," published in 1958.

YEARBOOK OF INTERNATIONAL TRADE STATISTICS, 1963. *United Nations,* New York. 775 pages. $11.50.

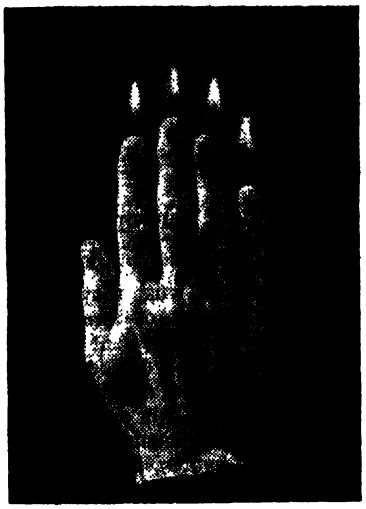
AMERICAN SHORT STORIES. Selected by Douglas Grant. *Oxford University Press.* (World's Classics.) 409 pages. 10s. 6d.

INVESTING ABROAD: A Guide to Financial Europe. By Gerald Krefetz and Ruth Marossi. *Harper and Row.* 347 pages. 60s.

THE ANNUAL REGISTER: World Events in 1964. Edited by Ivison Macadam and Muriel Grindrod. *Longmans.* 589 pages. £6 6s.

DIRECTORY OF BRITISH ASSOCIATIONS, 1965. *CBD Research.* 227 pages. 60s.

minute precision.... or precise power— industrial Gas has the cost-conscious answers



At his finger tips — the answers to your industrial heating problems.

The Industrial Gas Engineer can put the full technical know-how of Britain's progressive gas industry at your disposal immediately—his advice is free.

The gas industry offers you the most comprehensive technical advisory service backed by the industrial development centres of the Area Gas Boards and the Gas Council's Industrial Research Station at Solihull.

Many manufacturers have found that it pays to call the Industrial Gas Engineer at an early planning stage **because gas can lower over-all costs of production.** Because it is clean, gas allows direct firing at higher thermal efficiency. Its flexibility enables idling plant to be brought into operation quickly. Consistent performance means fewer rejects. Heat release at the point of use avoids fuel waste and high speed heating gives fast production at low capital outlay.

Gas can reduce labour costs, maintenance and capital costs and improve working conditions.

Gas industry research and development makes gas more useful, more competitive. And exciting new developments in gas production are making gas cheaper to produce. There are more and more good reasons why you should investigate the merits of High Speed Gas. A phone call or a letter to the Industrial Gas Officer of your Gas Board will bring you the free services of a qualified Industrial Gas Engineer and the full technical resources of the gas industry.

HIGH SPEED GAS

BRITAIN

Democratic Monarch

THE salmon is, of course, the king of fish. He rules in two domains, bringing joy both to the sportsman beside the river and, smoked or fresh, to the gourmet at the table. This dual sovereignty sets awkward problems, which have lately been examined in a distinguished report* to the Secretary of State for Scotland. Lord Hunter's committee was charged with reviewing the law relating to salmon and trout fisheries in Scotland, and considering whether fishing for salmon and trout, in the rivers or in the sea, should be regulated. It should. If the capture of salmon for food were to be maximised, there would soon be too few of the fish to lure to Scotland the anglers who give so much useful and lucrative employment in the poorest regions of that country: and if it were to go on being pursued with the greatest efficiency, there would eventually be no more salmon at all, whether for sport or for luxury consumption.

The salmon is hatched in fresh water, in the gravelly upper stretches of rivers so pure that they provide a minimum of nourishing slime and insects. They grow for two or three years amid the natural hazards of the rivers; some 5 per cent of those hatched will reach the size of large sardines. Then they swim to the sea and disappear (but more of that later) for a couple of years: maybe 10 per cent of the young fish that go to sea survive to be guided back, by some mysterious mechanism to the river of their birth, at the size familiar on fishmongers' slabs. They enter the river, spend some six months in its waters without eating a thing, lay their eggs in the headwaters, and leave again for the sea. Once more, the vast majority die or are killed by non-human predators. Just a very few fish return again another twelve months later: these are the silver giants that fishermen tell lies about.

The easiest way to catch salmon is at the moment of re-entry to the rivers, as they concentrate in the shallow waters of the estuaries. They are in prime condition, and can be scooped out in nets. Drift-netting in territorial waters off river mouths is a modern innovation: it proved so deadly to the fish that it was prohibited with the support of a preliminary recommendation from the Hunter committee in 1963. The prohibition, the committee considers, should stand: it now passes on to consider how other forms of non-sporting fishing should be regulated. The upshot is a recommendation that, apart from rod-and-line angling, only one fixed trap for fish should be allowed on each river. Thus a specific proportion of the fish entering—the total number being established by research—would be allowed to pass into the head-waters and breed.

The basic reason for this argument is that salmon caught in the rivers by sportsmen give far more employment, and contribute far more to the local economy, than salmon scooped out by various engines. For this reason too the committee argues that the present jumble of often inactive district boards for regulating salmon fisheries should be replaced by fewer but stronger area boards, on which independent members and representatives of other water-using interests should sit: they should have a professional staff, and jurisdiction over trout fishing in their areas as well—this important attraction to visitors being at present almost wholly unregulated. One revolutionary proposal is added. Where the boards are satisfied that waters are underfished, and that people who would like to fish are excluded from them, access orders should be made. This could be a really important contribution to developing the tourist industry on which so much of the fortunes of the poor Highland areas must depend. Salmon fishing—or trout fishing for that matter—can never become genuinely popular sports, save in remote country areas where there are very few people. But this is the road to democratisation, for everyone's good.

Greenland Grumbles

THE real long-term worry of the Scottish salmon fisheries—and of those of all the north Atlantic seaboard—is touched upon by Lord Hunter's report. An ancient mystery has now been solved. When the salmon go to sea to feed, it is now established that they go to the deeps off the west coast of Greenland. In 1957 Greenland exported 2 metric tons of salmon. In 1964 the catch was almost 2,000 metric tons. There are no salmon rivers worth mentioning in Greenland: these fish clearly spawn in other countries' rivers, and go north to feed before they go home to breed. Tags on fish caught in Greenland waters establish that they have come from all the countries with rivers flowing into the north Atlantic. Part of the area where they are caught lies in territorial water: Lord Hunter's committee suggests that the Danes be asked to prohibit salmon fishing at sea.

"Ascertaining the Weight," 1885

This is clearly unrealistic. If the poor Highlanders need to preserve the salmon rivers to employ themselves, how much more do the Greenlanders need to maintain their one newly established natural resource. It is possible, if highly speculative, that the climatic changes that have deprived the Greenlanders of their supply of seals, and have led the Danish government to provide them with new trawlers, have also provided them with the influx of salmon that they are catching with those trawlers. In any case they cannot simply be prevented from catching fish that swim into their waters—even if by catching them they are endangering the future supply. Granted, the international whaling agreement for limiting the catch of another threatened species is an inauspicious precedent. But some such arrangement should be tried. On the fresh-water side, against the salt-water Danes, would be Britain, the United States, Canada, Sweden, even General de Gaulle. And if the Scots cannot be represented as such, no doubt the Dublin delegation could put in a suitably Celtic word on their behalf.

*Scottish Salmon and Trout Fisheries. Cmnd. 2691. HMSO. 8s.

LABOUR RELATIONS

Another Smethwick

ONE of Smethwick's municipal employees complained that "You are always reading about Smethwick in the papers these days and none of what they say is much good." The influx of immigrants which has brought the unpleasant side of fame to this unpleasant town on the edge of Birmingham is also evidence of the demand for labour. It is a town of light engineering, which here means making bits for cars. The latest unemployment figures, for June this year, are 112 men and 19 women: unfilled

vacancies numbered 356 for men and 171 for women. No worry about Mr Callaghan's deflation is observable at shop floor level.

The latest cause of Smethwick's notoriety has been the unofficial strike at the works of the Birmingham Aluminium Company, a member of the Birmid group. The dispute started several months ago over piece work rates for a new machine making aluminium clutch housings for BMC 1800 motor cars. The management offered a rate of 27s per one hundred castings; three die-casters employed on the machine asked for a rate of 35s. The management replied with an offer of 30s. The casters refused and were suspended. The machine was then declared black and two other operatives refused on July 5th to do the work connected with it; by the end of that day the rest of the department, about eighty people in all of whom only thirty were casters, came out and stayed out until Tuesday of this week. During the last week of the strike twenty thousand BMC workers in the factories supplied by the casting firm were laid off. Over £5 million worth of cars were lost.

After a meeting on Tuesday the men involved in the casting department agreed to go back to work while their union, the National Society of Metal Mechanics, negotiates with the management again over piece rates. The two casters who operate the machine in question (the third has been moved to another job) have been guaranteed an increase of 2½ per cent on average weekly earnings for one week, during which it is optimistically hoped that negotiations will be completed.

The two casters believe that the management's offer would reduce their weekly pay to below what it was before the new machine came in. Doubtless they are sincere: but until the machine has been in regular use nobody can tell who is right—the management, who say that 218 castings can be made per shift, or the men, who say that a more accurate figure would be 170. The trouble has not arisen through reluctance on the part of labour to use new equipment, but simply because of three people's worries about their weekly pay-packet.

It is absurd that such a tiny incident should have been allowed to affect the output of a large section of the car industry.

The management refused to give way because the difference between their offer and the casters' suggestion represented a 10 per cent increase per week. They presumably feared that at a time when demand is still high any increase would spread to other workers. On the labour side it was yet another example of action without union backing, although the union did succeed in arranging the return to work. Both profits and wages are too big in the car industry for much attention to be paid to the traditional methods of negotiation. But when these traditional methods are allowed to collapse before they are replaced, the consequence can be clearly seen in this case. The employers lose large sums in production; the employees lose large sums in wages. Among the lessons that Smethwick can teach the nation, it would be good if this relatively simple one, at least, could be learnt.

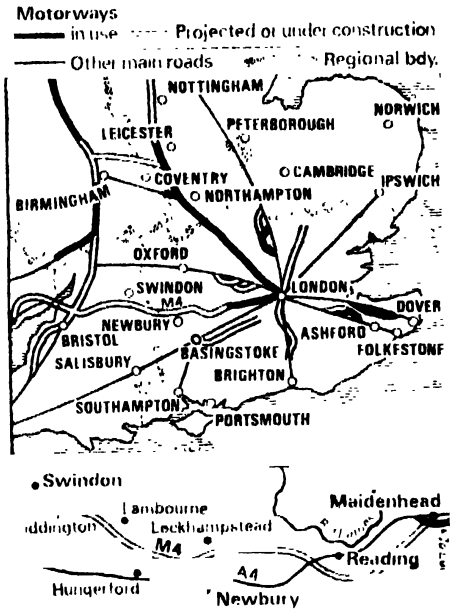
Shaping Up

Roads

DECISIONS are still being taken about the motorways which will link the present and future population centres of the country, though the immediate one concerning some of those shown on the map is whether or not the country can still afford them in the current five-year programme. However, many susceptibilities will have been set at rest by this week's decision concerning the 47 miles of M4 between Maidenhead (where it has already arrived pointing in another direction), and Liddington near Swindon, whence the route westward has already been announced. For at least three years locals and lovers of the fine Berkshire landscape have fought various proposals. The one chosen is bound to offend somebody, but has avoided both the Vale of the White Horse, once the most promising-looking route, and also an inconsiderate line along the crest of the downs. It is actually claimed that this motorway will look good.

More important still, it will go far enough south to serve the Newbury-Hungerford area now being studied as the possible site for a new city. Swindon now looks an equally promising growth point. Its future, as well as Newbury's, must certainly be taken into consideration when considering the route of one most important road not yet on the map—a motorway from Birmingham to Southampton-Portsmouth.

Another serious gap in the motorway plan for the southern half of England is the route to link the M4 with the Channel Tunnel at Dover. It is now thought this could conveniently start at the point where the M4 swings south of Reading. The engineers might look at the little-used railway which runs straight as a ruler from Ashford in



Kent, slightly north of west to the Brighton road; it wanders less purposefully round Surrey, which is indeed a county to tax a route-makers' ingenuity.

Regions

EAST Anglia, uncomfortably floating with London and the south east outside Mr Brown's regional economic set-up, is now part of it—in a rather half-hearted way. It has a boundary (marked on the map) and that so far is all. The chairman and members of the council have still to be found and then a capital, though there may not be one. In that case the council could rove around between Norwich, Ipswich, Peterborough and cosy Cambridge with their staff trailing after them. It is hardly surprising that the government cannot find enough suitable civil servants to staff an East Anglian planning board unless they are based in London; or rather, it may feel there would be little for a board to do if it did go and sit in East Anglia. Yet this is one of the fortunate regions which has room for lots of lovely new planning.

People

WHILE communications begin to match up to the places where most people are or will be living in the southern half of the country, there is still plenty of room for competitors in the guessing game of how many people, how soon, and where from. Forecasting the distribution of population is especially risky, since this can be so directly affected by different policies.

However, the Department of Economic Affairs has just announced some of the results of its reconsideration of the population increase for south east England (including East Anglia) contained in the last government's study of the area for the years 1961-1981. Safely enough, it sticks to the same figure for net increase in this period—3.5 million—but thinks it will be composed of more new babies born in the area (producing a 2.6 million natural increase, or 2.2 million between 1964 and 1981), and fewer adults coming into it from outside. In view of the cautious birthrate estimates of the South East Survey, and the cautious immigration policy of the present government, this might not seem surprising either. But the really surprising thing that does seem to have come out of a special survey conducted from a census sample, and a birthplace analysis of the census, is that the tendency for the south east of England to gain more population from other regions than it loses to them is very small. So much for the drift to the south east. Have we now to believe it never existed?

BUSINESS BRIEF

Lord Cromer's denunciation of "foolish" rumours of devaluation and then word that Britain's exports in July hit a record gave a boost to the pound this past week.

The reaction in the London bourse was a strong recovery in gilt-edged securities. Most continental bourses also rallied. But the French market slipped back. And Italian dealers, sensibly, closed up shop as usual and went on their holidays.

Further pointers that Britain's deflationary measures have begun to bite at home were the latest data on retail trade and employment.

In Italy the authorities have announced further reflationary measures. The OECD would like to see the Belgians follow suit.

MORE HANDS OR FEWER BY 1970?

American manpower will increase fast in the next five years. Faster even than of late. On the other hand, common market countries, except France, expect a slowdown in the growth of their working populations. Germany even expects a decline. And Britain can foresee only 250,000 more workers than now in 1970; planners would like instead 550,000 more. Sweden has an even tighter labour market. Surprising in view of the teenage bulge? But most of the immediate-postwar babies are already in the labour force. In Britain, anyway. In America, where the school-leaving age is normally 18 or over, the first shock wave of the postwar surge in births reached the labour market only this year.

Ins and Outs

America's wave of young labour will continue. Births there kept at near-1947 rates throughout the 1950s. They did likewise in Belgium and Germany—only, however, because neither country experienced the after-war baby boom. But births fell in Britain. And in most of western Europe. Most new job-hunters in Britain in the next five years will have been born between 1951 and 1955 when births averaged 100,000 or so a year fewer than in the preceding five years and 70,000 a year fewer than in the subsequent five years. Swedish and Dutch birth rates had come down by one-third by the mid-1950s. French and Italian declines were more modest. Japan's birth rate halved between 1947 and 1960.

So much for the new inflow into the labour force. What about the outflow? British and German populations have much the same age distribution today: American and French populations are younger. Proportions of the labour force aged 45-64 are 34.9% in Britain, 33.7% in America and, even less, 31.0%, in France. Proportions over that age are in the reverse order: 3.4% in Britain, 4.0% in America and 5.8% in France. Not only has Britain a lot of older workers coming up to retirement age in the next ten years but the chances are that they *will* retire—perhaps forced to do so or perhaps encouraged to do so by a state pension. **Britain's labour prospects relative to America's are: less new blood coming in, more old blood going out.**

Migration

Since it is past, not current, trends in births and deaths that are important to the size of a country's labour force at any date, forecasting in the short-term isn't too hazardous. But migration movements can upset the calculations. Most European countries, including Britain, on balance lost workers in the 1950s: Italy had a net emigration of 1.4 million people. But in at least three countries, immigration was of great significance. In western Germany more than two million net immigrants accounted for about half the total increase in numbers in the ten years; in Switzerland the net inflow share was very similar. In France, it contributed one-quarter of total growth; outside Europe, likewise one-quarter in Canada.

Women at Work

Demographic trends determine the reservoir of potential manpower;

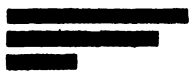
GROWTH IN THE LABOUR FORCE

AVERAGE ANNUAL % CHANGES

	1950 -55	1955 -60	1960 -64	FORECASTS 1965 -70	1970 -75
United States	+1.2	+1.2	+1.3	+1.7	+1.7
Japan	+3.7	+1.5	+1.1	+1.4	n.a.
France	+0.2	+0.02	+1.1	+0.7	n.a.
Italy	+1.3	+1.2	—1.0	+0.3	+0.3
Britain	+0.8	+0.4	+0.8	+0.2	+0.05
Germany	+2.0	+1.1	+0.2	—0.3	+0.2

n.a. = not available.

1970—TOTAL GAINS OR LOSSES COMPARED WITH NOW



	In percentages	In numbers
United States	+8.9	+7,060,000
Japan	+7.4	+3,580,000
France	+3.1	+ 640,000
Italy	+1.6	+ 325,000
Britain	+0.9	+ 250,000
Germany	-1.6	- 400,000

economic and social factors the extent to which it is economically active. Between the ages of 20 and 60, most men in most countries work, or want work. Differences occur in their activity rates above and below these ages. In Britain, raising of the school-leaving age in 1971 will remove 250,000 from the labour force. **But the most significant, continuing change in the extent of labour force activity, both between countries and over time within any one country, is among women.**

In Britain, total employed population rose by only 1.2 millions over the 1950s; but the number of women at work rose by as many as 0.7 millions and higher activity rates contributed most of this latter increase. In America, too, there has been a steady movement of women from the home into the labour market—but women still form a slightly smaller proportion of the total than in Britain or Germany. Over the next ten years the American labour force is expected to increase by 15 millions —8 million men and 7 million women. **By the end of this decade, women may be a little more prominent in the American labour force than in the British one: by 1975 they may be as important as in Germany.**

How womanish a labour force is depends partly on the balance between the sexes in the population, partly on women's working habits. Obviously there is a limit to the extent to which older women want to work. These forecasts assume it hasn't yet been reached —and won't be in the next ten years. Among married women in both America and Britain today, the same proportion, 44%, of those aged 45-54 go out to work. In both countries, too, the same proportion, 31%, of those aged 25-34 do so. But, probably because of the bigger family, rather fewer wives aged around 40 go out to work in America than in Britain. But more of the over 55s do so. By 1975, it is assumed that 58% of all American women, married or otherwise, aged 45-54 will be in the labour force and 46% of those aged 55-64; Britain's corresponding proportions are likely to be 58% and 37%.

All in all, over the next decade, the labour supply is expected to increase much faster in the United States than in Britain or common market countries. And a bit faster than in Japan. What will be the effect on output? Obviously more hands should produce more goods. But does a quickly-growing labour force favour productivity? Or dampen it?

Effect on Output

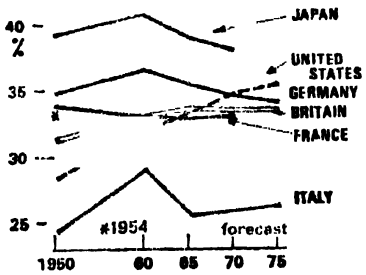
In the 1950s there was a strong tendency for countries with high rates of manpower growth to have achieved high rates of growth both of national output and of labour productivity. But the association did not hold for all countries. **France achieved the third highest rate of growth a head in western Europe in the 1950s with barely any rise in its labour force.** In contrast, the United States, and to an even greater extent Canada, combined relatively low increases in output with relatively high rates of labour growth. So, too, did Britain.

In the last five years, experience has been not dissimilar. Some comparisons, charted on this page, show that Britain and America again lagged behind in the growth of "labour productivity" (in the sense of output per head of the active labour force—employed and unemployed). But Italy bumped up its national output with a recorded drop in its labour force. Italy is still busy shifting labour from agriculture into industry. This tends to lower women's participation in the labour force by removing those unpaid part-time workers who may feature statistically more than they should. Italy's success is almost certainly overstated in terms of labour productivity.

Factors relevant to growth are the relative supply and cost of labour and capital, availability of managerial skills, pace of adoption of technological innovations, as well as the structure of industry. Managers and computers are still groping for the right mixture. The way in which labour and output is coupled varies considerably from one kind of industry to another. Multiplier effects come into play when expanding manufacturing industries draw labour from other sectors and so intensify incentives for raising capital intensity and productivity in these other sectors. **Tightly stretched labour resources in Britain and the majority of common market countries should at least improve training schemes.** The EEC Commission recently announced two action programmes, one for training in agriculture, the other for industry and commerce.

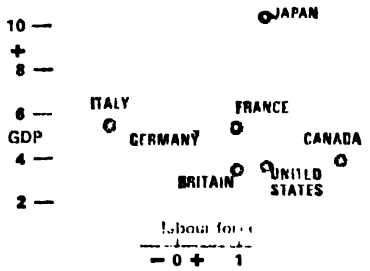
WOMAN'S SHARE OF THE LABOUR FORCE

% of total labour force.



GROWTH RATES IN 1959-64

average annual % changes in gross domestic product and labour



AGE DISTRIBUTION OF TOTAL POPULATION

Percentages

	UNITED STATES			BRITAIN			GERMANY		
		FORECASTS			FORECASTS			FORECASTS	
	Today	1970	1975	Today	1970	1975	Today	1970	1975
Under 15	31.0	31.1	31.5	23.3	24.8	25.9	22.8	23.6	23.5
15–64	59.7	59.7	59.3	64.8	62.6	61.0	65.7	63.7	62.6
65 and over	9.3	9.2	9.2	11.9	12.6	13.1	11.5	12.7	13.9
all ages	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

SHIFT OF LABOUR AWAY FROM THE LAND

% of civilian employment in:

	AGRICULTURE		INDUSTRY		SERVICES	
	1950	1964	1950	1964	1950	1964
United States	13.5	7.7	34.1	32.6	52.4	59.7
Japan	44.5	26.8	23.9	31.8	31.6	41.4
France	27.0*	19.0	37.6*	39.7	35.3*	41.3
Italy	41.5*	25.6	32.5*	41.2	26.4*	33.2
Britain	5.5	3.8	47.7	47.5	46.7	48.7
Germany	24.7	11.6†	42.9	49.0†	32.5	39.4†

*1955 for France, 1951 for Italy. †Unlike other German figures in this review, includes West Berlin.

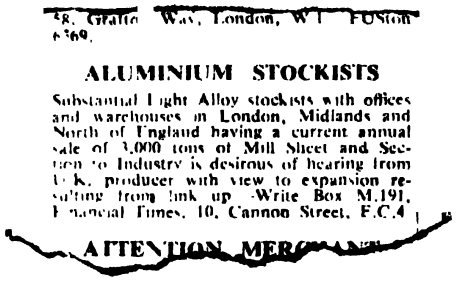
And nobody would be more pleased than the distinguished West Indies cricketer to know that young lions like David here are preparing to carry on a mighty tradition. But (though David might disagree) cricket is not the only great work being carried on in the Caribbean today. Brains and muscles are forging an exciting new future—and Barclays D.C.O. are helping by fostering trade and providing financial stability. Their knowledge of local conditions and trends in the new emergent countries of the Commonwealth is exceptional. British exporters, please note.

For detailed reports, from our branches on the spot, concerning trade with Africa, the Mediterranean or the Caribbean, write to our Intelligence Department at 54 Lombard Street, London, E.C.3.

Barclays Bank D.C.O. *Britain's Largest Overseas Bank*

BUSINESS

Aluminium's Private Slump


58, Grafton Way, London, W.1 FUSton 6369.

ALUMINIUM STOCKISTS

Substantial Light Alloy stockists with offices and warehouses in London, Midlands and North of England having a current annual sale of 3,000 tons of Mill Sheet and Section to Industry is desirous of hearing from U.K. producer with view to expansion resulting from link up. Write Box M.191, Financial Times, 10, Cannon Street, E.C.4

ATTENTION MERCHANTS

Financial Times, November 20, 1964

These two notices appeared within ten months of each other, one may have triggered off the other

REFERENCE TO THE MONOPOLIES COMMISSION

ALUMINIUM SEMI-MANUFACTURERS

.....refusing normal trade discounts to distributors (stockists) who obtain part of their requirements of aluminium semi-manufactures from abroad,.....

Board of Trade Notice, July, 1965

No country has been dealt a worse hand than Britain in the shake-out of world aluminium production in the last ten years; the industry has assets of £100 million at risk, considerable excess capacity, its efforts at rationalisation have landed it before the Monopolies Commission and now, within the last month or so, there have been the first signs of incipient price war. The root of these problems goes back to the time when the earth's crust was formed, with so much aluminium in it that it ranks second only to iron as the world's most plentiful metal, but none of it in the usual metal-bearing ores. So instead of the normal ore-to-metal techniques, the translation from bauxite to aluminium ingot requires two separate stages, one chemical, one electrolytic, which ties aluminium production to the availability of large quantities of cheap power.

The countries that have the bauxite (two-thirds of current supplies come from the Caribbean and West Africa) do not have cheap power, and vice versa. Ingot production is one of the most highly capital-intensive industries with its incremental operating costs considerably less than half the current price of £196 a ton. And like all capital-intensive industries, aluminium producers keep on putting up bigger and bigger production units in order to reduce costs, and to get the savings these plants must be operated to capacity. The vast, increasing output from them has got to be disposed of, and as the growth in demand has begun to slacken in the West—a high proportion of the post-war growth in world output has come from Russia and other east European countries—the large primary (i.e. ingot) producers have been forced to look for guaranteed outlets for their metal which they could get only by further integration with their customers, the fabricators—the users of the ingot.

In Britain, where cheap electricity is difficult to come by, the British Aluminium Company's reduction works in Scotland, producing a little over 30,000 tons of ingot a year, provides less than 10 per cent of total British requirements, and the aluminium industry (excluding secondary smelting and casting, which uses scrap as a raw material) is almost entirely engaged on fabricating imported ingot into sheet, strip and circles at the rolling mills, and section and tubes from the extrusion presses. These British fabricating plants looked an easy target to the North American primary producers looking for a guaranteed outlet for their metal and means of employing plant put down in anticipation of further rapid growth but working then at only 70 per cent capacity.

The Aluminium Company of Canada, the world's largest primary producer and the main ingot supplier to Britain after the war had long entrenched itself in Britain's semi-fabricating industry. In 1959 the British Aluminium Company was reversing the process of integration by building its own smelter in Canada, but the Reynolds Metal Company of America, one of the big three American producers, thought the prospects for aluminium in Britain sufficiently rosy to fight its historic battle for control of British Aluminium. It ended up with a compromise 46 per cent share with Tube Investments as the other major shareholder. Not to be outdone, the other two big American producers, Alcoa and Kaiser, then entered the market. Alcoa, frustrated in an earlier attempt to acquire an interest in British Aluminium, joined ICI in what is now Impalco, and Kaiser acquired a 50 per cent interest in James Booth, Ltd. The end result of this manoeuvring for positions is that today North Americans control, or have a big say in, the use of 85 per cent of the aluminium fabricating industry in Britain. In all, the Americans, excluding Alcan, invested about £40 million to gain this position.

The British market in the late 1950s looked good enough to justify this optimism. Deliveries of semi-manufactures were rising steeply out of the 1957-58 trough and by 1960 had reached an all time high of over 250,000 tons, excluding wire products (over 30 per cent above the 1958 level). Unfortunately, the market looked good to Continental exporters too, who saw it as a fat, high priced, hen ready for plucking. Starting from scratch in 1958, they had by 1963 picked up

nearly 10 per cent of the British consumption of rolled products—the largest single market in volume and the one most dominated by North America. Consequently, when the market went into decline in 1961, British rolling mills had to face a falling share as well as a falling market. The specialised market for sections and tubes, smaller tonnage but bigger profits, did not appeal to the Continentals quite so much. But as it lends itself to smaller production units, independent producers set up their presses to produce easy sections for the motor and building industries. By concentrating, like the rolling mills of the Belgian and Austrian exporters, on the bread and butter products and following the pattern set in America, these independent extruders have in their turn collected over 10 per cent of this market from under the nose of the giants.

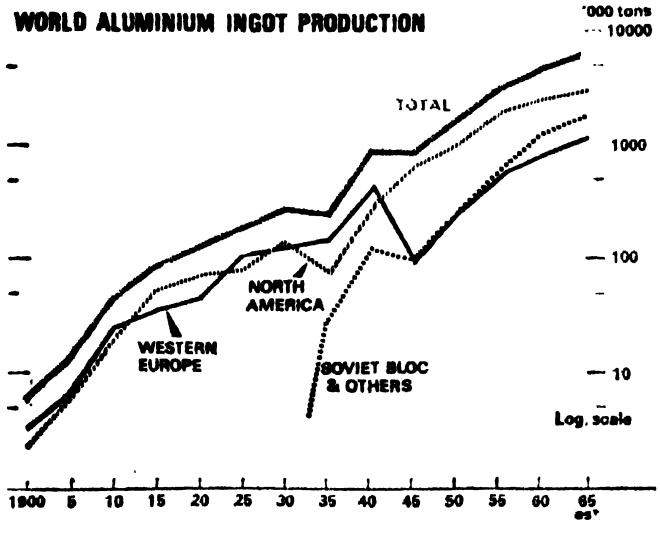
Faced on all sides with the erosion of their once secure market and finding too late that too many of their eggs were in the consumer durable and capital investment basket which is extremely sensitive to changes in the economic climate, the established producers sought protection in their still considerable bargaining strength. The industry collectively first tried heavy price cutting in rolled products early in 1962. This failed to dislodge the importers, so the industry was forced to do deals on all fronts. The import of cheap ingot from Russia was cut off, British and other European integrated producers making a deal with the Russians to absorb the tonnage themselves. Belgian exports have stopped rising but they have been getting higher prices—even with the import surcharge—which suggests that smaller volume for higher prices might not be a bad deal there.

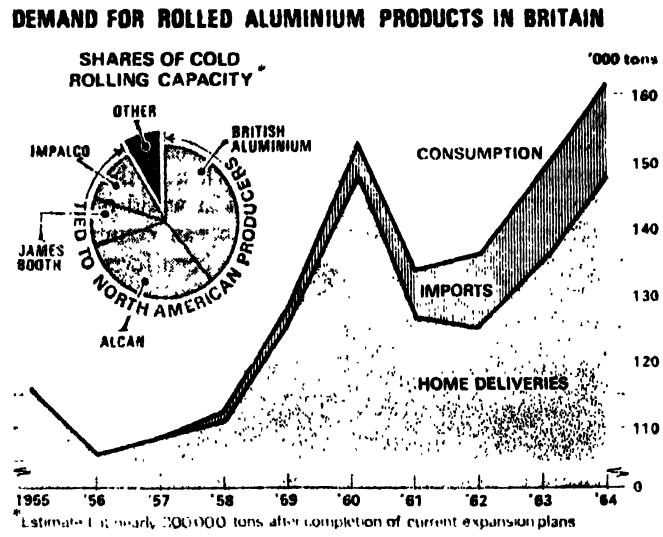
On the home front, the tacit understanding among companies that it was not the done thing to undercut each other, had faithfully been observed despite the fact that in the consumption boom last year, rolling mills in Britain were still only working to about 60 per cent of their rated capacity. Curiously, the conspicuous lack of any price competition never seemed to attract the attention either of the Monopolies Commission or the Registrar of Restrictive Practices. But there have been signs in the last months that it may be collapsing. Faced with a horridly genuine slump in the industry, some companies are said to have actually quoted competitive prices, and the knives are out. Capacity working has suddenly been recognised as more important than high prices, an economic fact of life that the industry had failed to recognise during the last five years (its exports of semi manufactures have suffered as a result). This situation cannot be improved by the announcement that Star Aluminium, a British rolling subsidiary of Alusuisse, the Swiss primary producer, is going to enter the thin strip market, making one more competitor in an already crowded market.

In the rolling mills, as opposed to plants extruding sections and tubes, something even more drastic may be needed. With plant designed for long production runs unused—a forecast to 1970 would show that even cold rolling capacity will be no more than 75 per cent employed then—profits are low to non-existent. The industry's fragmented structure ought to be making it look at innovations like continuous casting techniques, a method already used in France to produce foil and thin strip (France has one of the most integrated and enterprising industries in Europe). But controlled by four North American producers, who seem to have left their North American enterprise at home, all the British industry has tried by way of new methods is to rationalise its distribution.

This means, crudely, doing deals with stockists on terms that encourage them to consolidate orders, say, into convenient 5 ton batches instead of small dibs and dabs that bring chaos to the production line. And these terms, which give exclusive rights in an area to "aligned" stockists, and by inference (and in actual fact) deny supplies on comparable terms to other "non-aligned" ones in the area, lead to complaints that ultimately reach the Board of Trade and go from there to the Monopolies Commission. The advertiser on the preceding page could have been just such a "non-aligned" stockist.

The commission will probably have the greatest difficulty in establishing what a "normal trade discount" is. This means that it will have equal difficulty in proving whether the aluminium producers have refused normal discounts to some aggrieved stockists. So the industry is not particularly worried about trying to justify its rationalised distribution arrangements. But it is losing sleep over the more disturbing prospect that the Monopolies Commission will not stop its investigations there, but will start inquiring about pricing practices and other agreements designed to restrict competition. These would not be easy to answer.





Capital Attitudes

Gone are the days when the inflow of foreign capital into domestic business was instinctively distrusted by xenophobic Africans and Asians and suavely welcomed by liberal Europeans. While Britain itself holds out a warm welcome for (almost) any foreign capital that will help narrow that payments gap, continental Europe is having distinct qualms about the increasing penetration of American capital into certain sectors of industry.

France is the leader, though not the sole member, of this school of industrial protectionists—though so far it has been content to declare its dislike for foreign capital while continuing to take it in. Japan does much the reverse. Sweden has more clearcut regulations, which frankly seek to preserve certain defined sectors of the economy in national hands. This may be more satisfactory all round than outwardly liberal or outwardly restrictive official attitudes that bear little relation to official action.

FRANCE: RESERVE WITHOUT RESISTANCE

Paris

THE whole $500 million surplus earned by metropolitan France last year was attributable to an inflow of foreign investment. The balance of payments for 1964 shows that capital transactions carried out by non-residents produced a net surplus of $550 million, or nearly $100 million more than in the two previous years. That inflow is now mainly direct, as opposed to portfolio, investment. The flow of funds into France seems to be growing at the same rate as the sound of French warnings, coming from the opposition as well as the government, about the threat of foreign, and specifically American, domination. Ever since the take-over of Simca by Chrysler in 1963, and of Machines Bull by General Electric in the following year, predictions of woe have multiplied. If the American giants are allowed to grow in Europe unchecked, the argument runs, all talk about national or even European independence will be just empty talk. Contrasted with this gloomy diagnosis the absence, so far, of any remedial action seems rather puzzling.

Study of foreign investment is handicapped by the fact that data are few and assessments difficult. According to the United States Department of Commerce, direct American investments in France, at the close of 1963, were worth $1,235 million (of which $759 million was in manufacturing and $261 million in petroleum). These figures include reinvestment, but they are based on nominal book value and are, therefore, far from the reality. French estimates put the value of American investment at roughly double that figure. Adding all other foreign investment (with Britain still keeping second place followed by Holland, Belgium, Switzerland, Italy and Germany), they reach a total of between five and six billion dollars.* France's own foreign investments outside the franc area, admittedly, are higher still. They have been put at about $8 billion. But whereas the French investments are dispersed and mainly portfolio, foreign investments in France are chiefly direct; they are growing faster; and are increasingly American.

The Fifth Republic is partly the victim of its own success. The devaluation of 1958 was coupled with measures lifting restrictions on capital movements and other steps to encourage the foreign investor. The strength of the franc and of the regime did the rest. Since 1957 American investments in France have more than trebled. Admittedly, this was the period during which the development of the common market attracted the American businessman. Although, by number, investment operations in France have been the highest in the EEC (532 out of 1,978 in the community as a whole between January, 1958, and August, 1964), the rate of growth was by no means exceptional and France still lags behind Germany, let alone Britain, as a recipient of American capital.

Direct American Investments in Europe at end 1963

Book Value	France	Germany	Italy	Nether-lands	Belg.-Lux.	United Kingdom
$ million	1,235	1,772	668	445	351	4,216
% increase over 1957	167	205	165	133	83	113

Source: Survey of Current Business August, 1964.

It is not so much the total volume nor even the share of foreign installations in new capital formation that worries the French authorities. It is the origin of that investment and the risk that it will come to dominate individual sectors of the economy. The common market has not stimulated, so far, many really significant capital movements between the member countries. In the last few years France's five partners have provided less than a fifth of its new foreign investment. The rest of Europe supplied something like 30 per cent and the United States roughly half. And if Swiss investments are traced back to their origin, the American share in the total is probably closer to two-thirds. These funds have, quite naturally, been channelled into the more dynamic branches of the economy. An increasing proportion has gone into chemicals, including petrochemicals, and electrical engineering. The food industry has also attracted foreign investors, as the small size and dispersion of French firms offered scope for big international companies.

HOW far does foreign investment, relatively small in the economy as a whole, dominate key sectors of industry? Do the Americans threaten to occupy the "commanding heights"? When Chrysler took over Simca it got hold of only something like 15 per cent of French car production and the French government was perturbed by the threat of American domination of the European market in the future rather than of the French market immediately. When General Electric obtained a controlling interest in Machines Bull, second to IBM in France in the output of computers, this hurt nearer home. Alreay in 1963 American firms accounted for 43 per cent of the value of French output of calculating and electronic machines. By now they dominate completely the production of electronic computers. The French ministry of industry has just completed a survey of branches of industry in which foreign investment is substantial. To do so it lumped together wholly owned subsidiaries and French firms in which foreigners hold between 35 and 51 per cent of the capital. Though this might be considered as a controlling interest, it was not taken as such by the statisticians since in calculating the share of foreign firms in the turnover of a given branch they did not include the total turnover of such mixed firms but only the

* See Gervais: *La France face aux investissements étrangers*; Bertin: *L'Investissement des firmes étrangères en France*; and a recent report on the subject by the Ministère de l'Industrie.

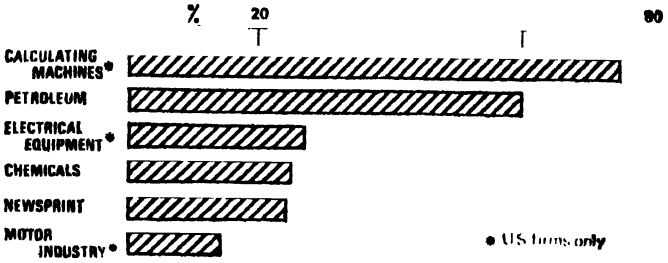
proportion corresponding to the foreign holding. The most significant findings are shown in the chart below.

M. Maurice-Bokanowski, the minister of industry, has been among the loudest in proclaiming the threat to national independence contained in foreign investment. But the report of his ministry is rather mild and does not attempt to conceal the beneficial side of foreign investment. The French authorities are well aware that a temporary boost to the balance of payments is not its only advantage. Newcomers speed up the pace of change and bring along their technological know-how. If French output of synthetic rubber or carbon black is entirely in foreign hands, production was started from scratch by foreign firms which, thereby, helped to cut the import bill. Altogether, the French do not pretend that they are in greater danger than other European countries. They are more worried by the prospect than by the present position, but in expressing this concern for the future they claim to be the spokesmen for Europe.

The gist of the French case can be summed up briefly. First, if entire sectors of the economy pass under American control, decisions concerned with the expansion or the closing down of factories will be taken in New York and Detroit rather than Paris and this will make planning even more "indicative." (When Remington closed its factory at Caluire, in 1963, this created quite a stir, but the emphasis now is more on planning in general than on employment.) Secondly, the French point to the size of the American giants. Industrial concentration has in France not gone as far as in Britain or Germany, but the government thinks that French firms can hold their own in Europe. But French firms are dwarfed by their American competitors. French publications, including those of the *patronat*, have been full of comparisons between General Motors, United Steel or IBM and their European counterparts. The emphasis has been put not only on productive capacity but also on financial resources and spending on research. And this leads to the third big grouse. If the main technological progress in advanced fields, such as electronics, atomic energy or even aviation is achieved by American firms, the gap between the leading western country and the *nations suiveuses* will widen. Western Europe will gradually become the economic satellite of the United States; and then talk of political indepedence will be ridiculous.

But French action to stop this seems weak. It has been limited so far to the indirect counter against the dollar as a reserve currency. Direct action against American investment has been negligible. It happens that the French government has been hindered by treaties, such as the 1959 agreement with the United States providing that firms of each country would have at least equal treatment with the nationals. One way over this obstacle is nationalisation. But besides that, the existing framework provides plenty of scope for subtle discrimination—if France really wanted it. Foreign investors must submit their proposal for approval and, indeed, the ministry of finance announced not so long ago that it will check these projects more cautiously. The fact is, however, that the French authorities know full well that within the context of the European community they have little room for national manœuvre. If American investments are thrown out through the French door, they will climb back into the common market through the German or Italian windows. M. Giscard d'Estaing proposed joint action in 1963. France's partners, so far, see no reason to hurry.

FOREIGN SHARE IN SELECTED FRENCH INDUSTRIES IN 1963



Nothing dramatic looms on the horizon. The latest French report on the subject does not sound belligerent. Some Frenchmen think that American investment in Europe, after years of rapid expansion, will now mark time. Others still believe that even if the flow goes on it may partly by-pass France. The French government will try to speed up the process of industrial concentration. There will be more talk about legal facilities for "European firms." But the French are now hardly in a position to take European initiatives. On the other hand, they can claim that they have put on the agenda a subject that is vital, whatever one's views on it, and has nevertheless been shirked in other European capitals. At the same time, there is a sneaking suspicion that in his struggle against American capital, as in some other battles, General de Gaulle has not quite got the means and methods to achieve his end.

JAPAN: AT ARM'S LENGTH

Tokyo

THE Japanese have few formal rules regulating foreign business investment; they just maintain a very tight hold on it. While attitudes are certainly not as xenophobic as in some of the other Asian and African nations, or for that matter in France, actual policy is highly restrictive. In mirror image to the French, the Japanese do not say much about keeping out foreign business, but just keep it out. Figures are hard to come by, but an official study puts total direct foreign investment between 1949 and 1962 at only $145 million. This total is not too meaningful, partly because it excludes "yen-base" firms, which made their original investment in yen, without the guarantee of facilities for remittance of dividends and repatriation of capital. The oil industry accounts for more than half of the above total, and is almost the only one in which foreign companies are dominant—they have at least 70 per cent of the local market. In synthetic rubber, five joint ventures involving foreign companies have 30 per cent of the market—the government-backed Japan Synthetic Rubber Company having the rest.

A slight, and very slow, loosening in Japan's attitudes to foreign business can be detected. Officially, indeed, Japan seems about to welcome more foreign investment in direct form: this follows partly from the checks imposed by the United States interest equalisation tax on the inflow of portfolio capital and bank credit. Japan may therefore soon relax curbs on the entry of direct investment, probably establishing some limit on the amount of investment to be given automatic approval. Complete removal of controls is not likely until more of the economy is considered strong enough to meet foreign competition.

The Japanese are still extremely sensitive about a possible invasion of foreign capital, which they fear may take over whole areas of industry if permitted to do so. This is why the oil industry in Japan is a particularly raw subject with the Japanese. Under its present policy, the Ministry for Trade and Industry (MITI) establishes the following requirements for foreign investment projects. They must involve:

A clear contribution to technological development of Japanese industry.
A contribution to exports or a saving on imports.
No significant competition with existing domestic industry.
A percentage of foreign equity less than 50 per cent.

The old rule was that the Japanese partner had to have a controlling interest of 50 per cent. Foreign firms got this only in exceptional circumstances, mainly where the foreign partner was a leading firm, such as Dunlop, Hillman, and du Pont, which

insisted on at least equal voice in management. For du Pont, the condition was attached that the president or chief executive officer had to be Japanese. An even more exceptional case was that of IBM, which came into Japan in 1959 to set up a wholly-owned (100 per cent) sales affiliate in Japan, IBM (Japan), Ltd. MITI allowed IBM into the country only because the Japanese needed computers and the local makers were unable to produce advanced machines. MITI actually attached a condition that IBM give Japanese computer makers access to certain of its patents and technical information.

In 1964 the United Shoe Machinery (Japan) Company, a 100 per cent affiliate of British United Shoe Machinery, was allowed to manufacture in Japan. MITI took the view that no objection could be raised, since import restrictions on shoe machinery had been lifted. Imports of 78 sets of shoe machinery had been permitted in 1963 which was not considered large enough to affect domestic industry. Over the past decade there have also been several important automobile tie-ups between foreign companies and Japanese firms (Renault, Austin, Hillman) which, when the Japanese concerns had learned every important technique offered by the foreign company, were reduced to a mere patent agreement or royalty payment contract. The fault here lies with the too-lenient contracts drawn up and the fact that the foreign concerns failed to realise that no contract in Japan is worth more than the closeness between the personalities involved. A really solid gentleman's agreement, backed up by a close relationship between the foreign and Japanese executives on a social (generally sports and drinking but sometimes artistic appreciation) level, is better than a cold contract without such support. Any foreign businessman who comes to Japan as the executive of his company or as the result of a joint venture and who fails to solidify his day-to-day relationships with the Japanese executives by becoming actual friends with them after business hours is performing a disservice to his company.

The Japanese consider foreign firms and joint ventures in Japan as exotic and something like a hothouse species. Foreign firms operating in Japan are widely ignored by official planners, and not related directly to the Japanese economy. Yet Japan is still a popular area for future foreign investment. Its attractions include a high return on capital, availability of technical and management personnel, the high growth rate and the convenience of Japan as a base for Far East operations—to say nothing of stability, guarantees against expropriation, highly advanced means of transportation and adequate sources of power.

Officials of MITI credit foreign firms and their Japanese partners with making improvements in accounting methods, office procedures, production and quality controls and similar activities; but they are exceedingly cool towards foreign contributions in marketing and in management generally. MITI believes that these are best handled in the Japanese way. It is generally argued by MITI that those foreign firms doing poorly in Japan can find the trouble in the activities of their foreign managers who often try to apply methods unacceptable to their local employees and management staffs.

Many Japanese companies are themselves sending their executives and their money abroad to begin industrial operations overseas and are gradually acquiring a more international approach. This, surely, will eventually force them to be consistent and less likely to oppose foreign entry in Japan. But it must be remembered that the top-rank internationally-minded Japanese executive is a rarity. Executives who have the ability to speak passable English (or French), who understand business abroad, who are adaptable and even far-seeing, are developing gradually. At least this is an excellent indication that progress is being made. But the majority of Japanese businessmen—the vast majority—are still suspicious of foreign firms.

In practice, a foreign firm, its proxy and/or its Japanese partner will make preliminary soundings at the MITI bureau having jurisdiction and may even conduct talks, if MITI so directs, with established firms in the industry or, more often, the industry or trade association. Where the entry would conflict sharply with domestic interests, bitter and well-organised opposition develops, and domestic firms may form a working group "headquarters" to fight foreign entry. Pressure may be brought on MITI to deny or delay entry or to impose restrictive conditions. MITI may mediate the issue or impose a settlement. In most conflicts, the formal application is made only after soundings have taken place or a settlement has been reached. As often occurs in Japanese administration, there are no detailed formal policy regulations or guidelines on handling of foreign capital entry. Most of the documents on entry of foreign capital are classified and information is difficult to acquire.

SWEDEN: THE LAND IS NOT FOR SALE

Stockholm

In Sweden the government regulates all trade activities by foreign businesses; and it bans outright foreign acquisition of certain kinds of assets, as well as foreign participation in certain kinds of businesses. These regulations are reasonably clear-cut; and within its strategic aim of preserving control over key sectors of the economy in Swedish hands, the government's attitude to other foreign investment has been generally a liberal one. An official committee appointed to consider attitudes towards foreign investment is due to report soon; some Swedes hope that it will recommend a more formal liberalisation. They argue that Swedish industry is dependent to a growing extent on foreign capital and foreign techniques. Yet there have been no conclusive signs that the existing regulations have been any significant deterrent to incoming capital.

The existing regulations fall under three main headings. First is the obligation on all foreigners to obtain government permission to carry on a commercial or manufacturing trade in Sweden. This requirement stems from the Freedom of Trade Act which goes back to 1864; and in practice rejections have been very few. The test has been confined to the financial standing of the applicant, and does not go into the question of whether a trade is considered officially desirable on economic or social grounds.

Notably more restrictive are the regulations on the right to acquire certain kinds of property. Under the Restrictions Act of 1916 foreigners must have special permission to acquire land and property. They are specifically forbidden to take out a mining concession for mineral deposits. In the case of a joint owned company, property can be acquired only on condition that the by-laws limit the foreign participation to 20 per cent of the voting shares. But the Swedes themselves do not have an entirely free hand to buy up their country. A special dispensation is needed to acquire farming land, and permission has usually not been granted if the purchase has been intended mainly as financial investment. Further, joint stock companies need specific permission to buy land. These two provisions aim to prevent the acquisition of forest land that is used in conjunction with farming. Recently about 50 foreign applications to acquire property have been received in an average year and only two or three have been rejected.

Thirdly, the Swedish government restricts foreign participation in certain trades. These are, notably, the right to manufacture war material; shipping; and banking. Bank shares can be acquired by foreign citizens only through inheritance. The Restrictions Act aims strictly at preserving Swedish natural resources in the country's hands. The restrictions do not in themselves aim to limit foreign business in general.

BUSINESS □ BRITAIN

STERLING

Turn Round in the City

In finance as in war, real turning points are often recognised sometime after they have taken place: and apparent turning points often prove deceptive. The panic that followed last week's disclosure of the heavy gold loss in July suddenly gave way this week to a widespread feeling in the City that sterling has finally turned the corner. It was not merely the encouraging trade figures published on Tuesday that produced this marked change of mood. There was Mr Wilson's renewed and unequivocal commitment to the pound late last week, and Lord Cromer's much-photographed departure for a Riviera holiday, with his parting shot that the markets had not yet apparently appreciated the full impact that would be made by the accumulation of the Government's measures over the past months. (Perhaps a mock-up of an aircraft cabin in which the governor can be photographed calmly departing for his holidays should become standard equipment at any well-run central bank).

With nerves frayed by a nine months' siege of sterling, reactions have tended to fluctuate emotionally, and last week's jittery rumours of a 9 per cent Bank rate, or worse, were abruptly succeeded this week by comfortable assumptions that the discount rate may soon be expected to come down. This is going a bit fast.

Sterling began its recovery on Monday, and this continued during the two following days. But late in the week, it slipped back on the technical factors that usually work against it before a weekend. It still has to get through the next set of gold figures, the International Monetary Fund meeting next month, and a possible attack of electionitis the month after that. So it is still too early to know whether this past week was indeed sterling's Alamein, or merely its Dieppe.

Yet for all these reservations, it is significant that the gilt-edged market moved up strongly this week after holding stoically firm on the publication of the gold figures a week earlier. And the Bank of England is said to have been recouping some stray dollars on Wednesday, instead of timidly holding back to give the rate an even better chance. Any official temptation to squeeze the bear speculators by letting the spot rate shoot up is likely to be tempered by the need to start as soon as possible on recouping some of the £1,000 million odd that the defence of sterling has cost the reserves since last autumn. It seems that a good part of the swap facility with the New York Federal Reserve Bank has already been used: the big jump in the United States' foreign currency reserves by $397 million in June must have reflected at least in part British drawings on the credit line, sterling in exchange for dollars.

The link between the two reserve currencies has been underlined again by the parallel fortunes of sterling and the dollar in the foreign exchange markets over the past two weeks. When sterling plummeted on August 5th the dollar did likewise everywhere except in London, where it was being bought for sterling, and Frankfurt, where it is strong because of Germany's current account deficit. When sterling began to recover this week, the dollar too began to lift very slightly from its intervention point in Paris, Brussels, Amsterdam and Zurich. For technical reasons it frequently pays Continental investors to shift out of sterling by way of the dollar, which they then sell to their own central bank in exchange for their own currency. Last week the Swiss National Bank took in $40 million as a result of such operations when the dollar sank to its effective support point of 4.3150 against the Swiss franc. Thus the dollar seems to remain vulnerable in Europe despite the dramatic success of President Johnson's measures earlier this year in reducing the flow out of the United States.

TRADE FIGURES

A Well-Timed Balance

Admittedly the spectacular rise in Britain's exports last month by £41 million seasonally adjusted to a whopping new record of £417 million must to some extent have been a flash in the pan. The Board of Trade, sensibly bracing the public for a fall this month, has emphasized the "exceptional" factors in the July jump in sales abroad—particularly the bunching of deliveries of large and expensive transport equipment and machinery. The fact remains that the rebound did happen and could not have come at a more welcome moment. It was sufficient, despite a rise in imports, to put this country's visible trade virtually back into balance. The deficit seasonally adjusted was slashed to a bare £1 million from £34 million in June. Over the first seven months of the year as a whole, Britain's trade gap has been running at half last year's swollen rate, averaging £23 million a month seasonally adjusted. This is an annual rate of some £275 million implying a deficit on current account of perhaps £100 million—which would be a substantial improvement on last year's dismal record of £374 million but indisputably far from good enough.

The sharp rise in exports last month seemed at least in part to reflect a catching-up on considerable backlogs of orders and the buoyancy of the German and American markets. The biggest single jump was in sales abroad of machinery; after months of lagging frustratingly behind orders, exports were up £11 million seasonally adjusted in July. The rise in aircraft exports was far less dramatic but promises to be repeated over the months ahead as the BAC One Elevens go out to American Airlines. Altogether higher sales of machinery and transport equipment last month accounted for half of the total rise in exports. So far this year exports of all goods have been running 5 per cent above a year earlier. This is probably very nearly in line with the rise in total world exports this year: Britain has always held its own best in periods of sluggish trade but seen its share drop sharply during periods of rapid expansion.

In all probability the best that can be hoped for then is that this growth rate in exports is sustained over the months ahead. The cooling off in the world economic climate does not bode well for any major acceleration—certainly last month's sharp recovery in sales to the overseas sterling area is unlikely to be repeated. And on past precedent the bite of deflation at home is more likely to make a major dent on imports than to revolutionise Britain's export performance. The import surcharge has not done much to bring down the bill. Indeed, imports in July were up £12 million seasonally adjusted, and the rise was attributable almost entirely to higher imports of finished manufactures—the major target of the surcharge. Altogether in the nine months since the surcharge was first introduced imports have been virtually unchanged from their average during January-October, 1964. Imports of the 70-odd items covered by the charge in June, the first "normal" month after the reduction in the charge, were actually a shade higher seasonally adjusted than they were in July-October 1964. Not exactly a roaring success story.

IMPERIAL CHEMICAL INDUSTRIES

We're All Europeans Now

Wogs start at Calais,
So why throw good money away?
(anon.)

ICI's pre-1960 investment policy for the Continent could have been summarised thus. Things have changed since then—

or rather are just about to. By a long way the biggest chemical producer in Europe, ICI is setting up a new company to look after its continental activities and perhaps co-ordinate the push that has been so often promised yet has never materialised. Not that the company's interests are small; it has 50 subsidiaries and associates and last year's sales in Western Europe (outside Britain) came to £76 million, of which a sixth was manufactured locally. They are just not as big as one might expect. Now investment is proceeding at a brisk pace in several countries, notably at the Rozenburg site near Rotterdam, in synthetic fibres in Germany and in Spain. The new ICI (Europa), will look after all these interests and put forward new ideas for investment.

ICI (Europa) is the inheritor of the unhappy European Council that tried to do a similar job after being set up, in 1960. The problem it faced—and which to a large extent accounted for the difficulty it encountered in pressing the European case—was that of reconciling its own view with that of the manufacturing divisions of the company at home, traditionally responsible for their own exports. Further afield, this problem mattered less, there being little interaction between, say, plastics prices in Australia and in Britain. But there is plenty of interaction between Germany, or France, and Britain and the divisions wanted control over sales of their products there. Reasonable enough as far as it went, but it also meant that investments were viewed somewhat narrowly. There has been no easy solution to this.

To this divisional inertia was added something more pervasive, the traditional ICI attitude to Europe. One can only speculate on the effects on senior management's thinking of having grown up in the company in the days of the pre-war Du Pont/ICI/IG Farben cartel; at the least it is unlikely to have led them to think easily of Europe as a natural market. But this sort of problem has its own solution. It is therefore possible that the present initiative reflects the passing of time—and, with it, the older generation—as much as anything else. Unfortunately no solution can make up the ground lost during the expansionist years of the fifties when Germany regained its pre-war place as premier chemical manufacturer and exporter in Europe and ICI let it.

AIR FARES

Success That Failed

THE fares that British European Airways charges on its domestic routes are roughly in line with air fares inside the United States, i.e. they are low by international standards and work out at around 5d. a mile. Nevertheless, BEA loses substantial sums on them, for reasons that have never been clear but are thought to have a good deal to do with the commuter instincts of passengers who overbook in the morning and evening, leaving the aircraft empty during the day. In an effort to get them to change their habits, BEA got permission two years ago to cut fares by a third on any seats still unsold after the ordinary passengers had checked in. There were always plenty of unsold seats on the mid-day flights, and BEA hoped that once the word went round, passengers not actually obliged to travel at the crowded peak hours would turn up during the slackest parts of the day in order to get savings of as much as 38s. on a flight to Scotland.

"Stand-by" fares have now been on offer for nearly 2½ years, and their own success has killed them. From November, the discount will be reduced to levels that mean passengers will be paying four-fifths of the ordinary fare, the saving will be in shillings and the inducement to take a chance on an unbooked seat reduced—deliberately—to ineffectuality. At this moment, between 6 and 7 per cent of all BEA's domestic passengers travel at stand-by rates and the airline calculated that more than half of them would otherwise have paid full fare. This would not have mattered if it spread business more evenly through the day, but capacity on the domestic routes has gone up with the arrival of British Eagle flying in competition with BEA. It has, among other things, forced BEA to give its passengers more of what they want, in order to stop them defecting to British Eagle, and this happens to

KEY INDICATORS

THE BRITISH ECONOMY

EXPORTS

Export rise put Britain's trade back into balance—at least for the moment.

RETAIL TRADE

Decided fall. Not only in volume but in actual cash. Poor weather contributed to the slump in clothing sales in June. But trade in durables and fancy goods also down. Even food-buying dropped 1 per cent in second quarter.

EMPLOYMENT

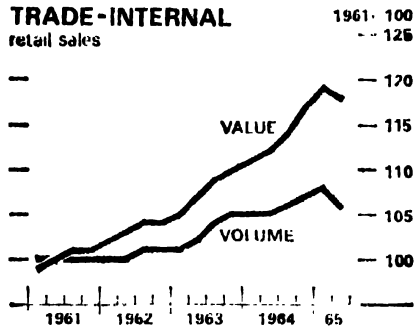
Easing

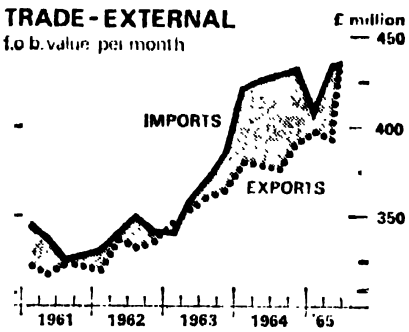
HIRE PURCHASE

New business falling away a little. Debt still rising.

STEEL

Output still high. But signs of weakening in demand.





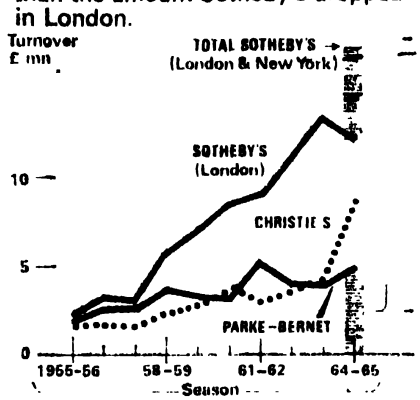
Quarterly (in addition for external trade July 1965) figures, seasonally adjusted. Exports include re-exports.

	Month	Index 1958=100	Percentage change from: Previous month	Three months ago	Twelve months ago
Industrial production*	May	132	+½	nil	+3½
employment*	June	103	—0·2	—0·3	—0·2
productivity*	May	126	+½	nil	+3
Export trade*†	July	137	+11	+7½	+20
Retail trade*	June	119	—2	—4	nil
Unemployment*	July	79	+3·4	+7·4	—10·8
Wage rates (weekly)	May	127	+0·3	+0·9	+3·7
Retail prices	June	121	+0·3	+2·5	+4·9
Export prices	June	109	nil	nil	+2

** Seasonally adjusted. Indicators of export and retail trade reflect movements in volume terms, i.e., in value at constant prices. Unemployment indicators refer to numbers wholly employed, excluding school-leavers. Total unemployment level in July running at an annual rate of 1.4 per cent. † Provisional.*

In the Sale Rooms

Combined sales of the two leading London auction rooms came to nearly £21 million in the season just ended. Christie's turnover nearly doubled: Sotheby's although still much larger, was reduced by £1 million. This was the first season in which Sotheby's operated a saleroom in New York—the wholly-owned affiliated Parke-Bernet gallery. The latter's sales went up last year, although by fractionally less than the amount Sotheby's dropped in London.



include more peak hour seats, and in consequence, more room for stand-by, cut price passengers.

Competition in the Air

An attempt was made by BEA to raise the stand-by fares as far back as last October, but the Air Transport Licensing Board refused it. Now it has authorised the increase, but the episode leaves one wondering what the ATLB thinks it is about. If airlines are not going to be allowed to end experiments that are not achieving their object—and the stand-by fares were never presented as anything other than an experiment—then they will never try anything novel at all. The trouble with the ATLB is that although it is modelled as a miniature of the United States' highly effective Civil Aeronautics Board, on all important matters, the power of decision rests with the Ministry of Aviation, leaving it with little to do but complain about the difficulty of getting proper information from the airlines, and tut-tut about the lunatic fringe of the travel industry. Why, for example, does the Minister not use its considerable abilities and refer to it questions that he has publicly said are causing him concern, such as the exorbitantly high level of air fares between here and Paris? The Civil Aeronautics Board manages effectively, if ham-handedly, to negotiate air fares with other governments; there is no reason why the ATLB should not do as well, or better. Lord Hinton's investigation into transport in this country might have looked at this, but by all accounts the inquiry is going so badly, it will be surprising if anything emerges from it at all.

NIGERIAN GAS

2d. a Therm

It must be pleasant to be a member of a Gas Council these days. Even while negotiations are being conducted with the Dutch over the supply of natural gas from the Slochteren fields, the deputy chairman is flying off to negotiate with Nigeria, and at rumoured prices that could give him a useful lever with other suppliers. Nor is this the end: Algeria, from which the gas industry presently gets natural gas equivalent to a tenth of its raw material needs, is said to be anxious to supply more; Libya, further down the North African coast, doesn't know what to do with the quantities of gas it is producing; and major supplies may be found in the North Sea. This last possibility is for the long term; meanwhile the gas industry has to think of contracting for more supplies while maintaining pressure on the oil companies who sell it naphtha, its other main oily raw material, for the steam reforming process. It looks as though Nigeria will be first through the gate.

Up to twice as much gas has been offered, 700 million therms a year, as is presently taken from Algeria. The operation will be similar: gas piped to the coast from inland fields, probably by Shell-BP Development Company of Nigeria. There it will be liquefied in a plant largely owned by Conch (20 per cent Union Stockyard: 40 per cent Shell: 40 per cent Continental Oil), and shipped in Conch's insulated tankers to Canvey Island. The Gas Council is already planning to enlarge the storage at Canvey with the construction of one or more "frozen holes" in the ground. The main difference with Algeria is financial, the larger participation of Conch which will probably have a majority share in the liquefaction plant while in Algeria it had (probably unwillingly at that) 40 per cent of the £31 million plant.

The result could be natural gas delivered to Canvey at 2d. a therm less than the 7½d. reported for the Algerian material. It could also be something of a let-out for Conch. Given the Algerian political situation, customers seem reluctant to sign for much more natural gas on long-term contracts. Yet the original plant was designed to be expanded and cannot be fully profitable—still less with the punitive Algerian taxation—until it is.

SHIPBUILDING

Luck of the Irish

Harland and Wolff in Belfast won the biggest ever order, for ships from Norway last week—five bulk carriers with a total value over £13 million: Furness got an £11 million order from Israel for 4 bulk carriers this week. The catch in these and most of the other contracts won recently by British yards is that they are almost always fixed-price, without escalation clauses. Because they have been won in the teeth of international competition, profit margins have already been trimmed to the barely tolerable minimum. If costs should rise during construction, these margins are going to disappear altogether. And in the past two years costs have, in fact, gone up by 11 per cent, and if the unions are to agree to end restrictive practices and co-operate in reorganising the shipyard labour pool, the price will almost certainly be some increase in wages and it is a nice calculation when, how soon, if ever, this will be offset by the hoped-for rise in productivity.

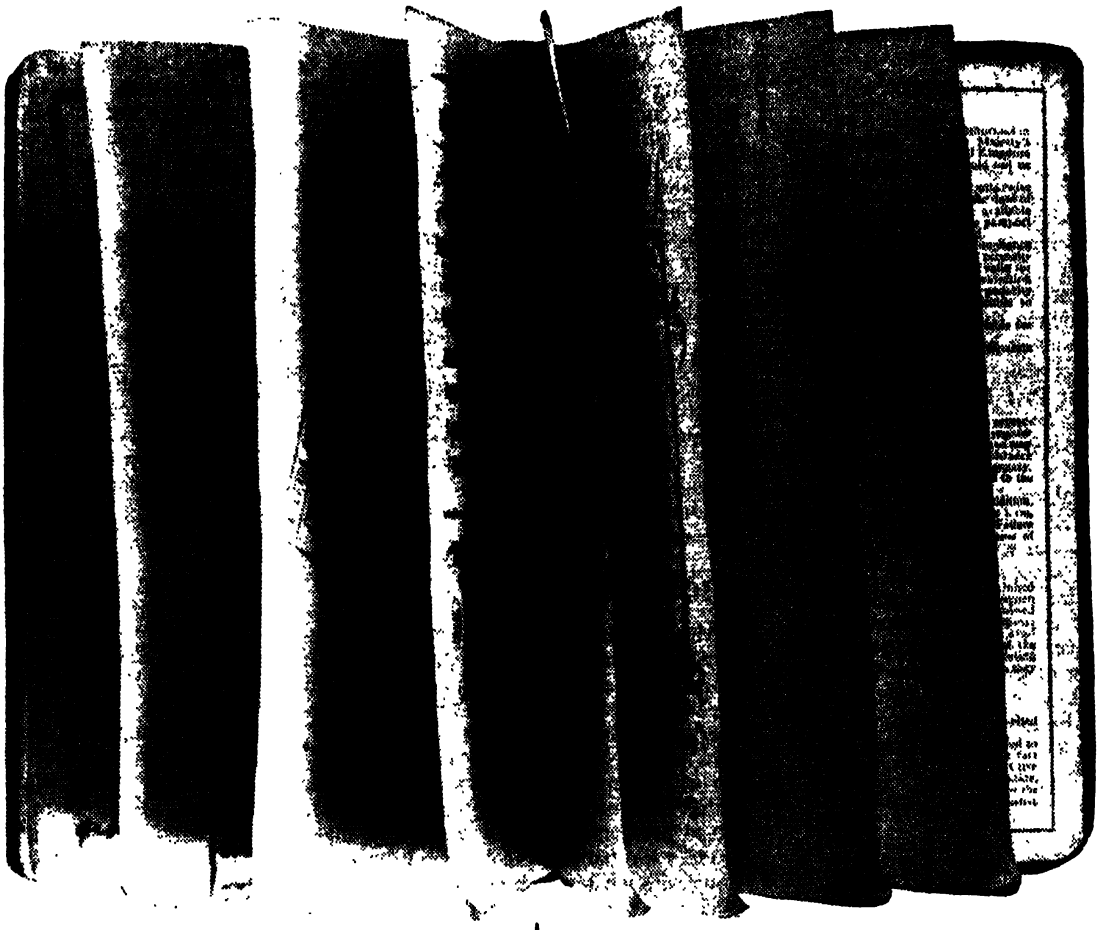
PAPER

Salvaged

Kleenex tissues may soon be made 60 per cent from "secondary fibre," in normal English, wastepaper. Kimberly-Clark, making Kleenex and other tissue papers and wadding, has just installed, and is now experimenting with, a complex plant for getting off the ink. De-inking has been one of the tricky operations in the re-use of wastepaper for anything other than packaging board where it simply does not matter. Consequently, paper makers in Britain have always made most of their paper from imported wood pulp. This is fine for specialised grades of printing paper; but the balance now favours the large integrated mills operating direct from the forests and competition from them has been intensified by the lowering of tariffs under the Efta timetable.

Now, slowly, British paper makers are realising that they might be able to cut costs by using more indigenous raw material, i.e. wastepaper. The Reed Paper Group imported a de-inking plant from J. M. Voith of Heidenheim last year. Kimberly-Clark's comes from Voith's Scottish subsidiary. A complete plant—with accessories and building—capable of processing 30 tons of paper a day costs about £100,000, but permits tissue manufacturers to substitute for imported woodpulp at about £55 a ton, high quality wastepaper costing £15 to £20 a ton.

European paper makers have been using de-inking machines from Voith for several years, and have actually bought wastepaper in quantity from Britain to feed them. The German industry makes around 40 per cent of its paper and board from waste, Britain only about a quarter. This cannot be explained entirely by choosier customers, wastepaper-based paper can be virtually indistinguishable from that made from pulp; tissue made from waste actually has higher wet strength. The industry and its little Neddy are trying to work out just what are the economics of wastepaper in its relationship to paper making.



Is there one bank in all these places? Try First National City

First National City Bank has more than 100 branches in the world's important business centres. And every one of them is prepared to give you all the advice you need about local customs and trading practices.

Consider the advantages of the same bank serving you when you visit your affiliates and agents in Europe, North or South America, Africa and the Far or Near East. You can, for example, rely on rapid transfer of company funds from branch to branch. You enjoy, too, the convenience of discussing your credit needs at one central point.

First National City has become indispensable to thousands of businesses round the world. You'll find the staff courteous and helpful. You'll find it the right bank in the right place. Make the London managers your first point of contact at: the City Office, 117 Old Broad Street, E.C.2 (LONdon Wall 1221), or the Berkeley Square Office, 17 Bruton Street, W.1 (MAYfair 6600). First National City's business is to help you in yours... wherever your business takes you.

FIRST NATIONAL CITY BANK

Incorporated with Limited Liability under the National Bank Act of the U.S.A.

LITTLE JETS

Hurrah for Hawker!

SPARE a cheer for Hawker Siddeley for once beating the Americans at their own game. When the company said it was building a small executive jet, nobody took much notice—it was expensive, cost a lot to run, did not look as good as Dassault's design in France. But it turns out that Hawker Siddeley had judged the market correctly; at £¼ million each, it has sold 71 small jets in a year, 37 of them in North America, despite the fact that Dassault's American sales were being handled by Pan American, no less, after PAA had looked at, and turned down, the Hawker Siddeley aircraft. What PAA had not allowed for was the risk of the French aircraft running into trouble and behind on deliveries while Hawker Siddeley came close to scooping the pool. This will not go on for ever. Pan American has just announced that the first Dassault jets are being delivered to it this week, and that the number ordered has been increased to 67; it has buyers for 54. No one has ever got rich building executive aircraft, but any British aircraft selling these days is worth shouting about.

BUILDING

Pannell's Panels

IN the last week of parliament Mr Pannell, Minister of Public Building and Works, did two things that could make an immense difference, long-term, to building in Britain. He appointed a chairman for the British version of the French Agrément system; an independent authority to test and give certificates to new materials and new building methods. This is fast going, the white paper recommending it was only published last week. But the recommendation had been a foregone conclusion. There has been a great deal of concern recently over the way that innovations are often nipped in the bud, or at least seriously impeded by the—perhaps justifiable—suspicion of local authorities that they won't work. In France, the government subsidises tests, presumably to cover the cost of testing failures that only pay half-rates; the British system is expected to be self-financing from fees once it has got started.

The certificates are intended to fill the gap between the arrival of a new product on the market and the eventual issue of a British Standard up to six years after. The Building Research Station—which now comes under the Ministry of Technology—will either carry out or arrange the actual testing of the products. The only question is, will it get the tests done quickly enough to be useful to enterprising builders and architects. It already does a good deal of testing; but, fee or no fee, structural, weathering and other tests are liable to be dreadfully slow.

The Minister's other innovation is a standing committee to study the problems and economics of repairs. At the moment these cost £900 million a year, nearly a third of the building industry's annual output, and repairs occupy over one-third of all building workers. In the last decade, productivity on site has risen 5 per cent a year, repair work goes on consuming labour as extravagantly as ever. The committee may be able to find ways to improve this. It also might impress upon architects and building developers that it could under certain circumstances be worth spending more on the building itself in order to reduce maintenance later. It has been estimated that, excluding tax allowances and the like, an extra £1 on the price of a 30-year life building can be justified if it will save 1s. 4d. a year on repair.

SHORTER NOTES

Most of the long-established drug companies buy and make up ingredients from other manufacturers and several of them have this way become substantial wholesalers, the British Drug Houses group in particular. Now BDH and Glaxo are merging their separate wholesaleing interests, with a joint turnover of £30 million a year. Glaxo has come a long way since its main product was baby food sold round the world along with whatever else chemists wanted to stock; its drug manufacturing interests are huge and highbrow and it must seem sensible to hive off purely merchanting activities to a specialist subsidiary. Between them, the two companies are said to account for 11 per cent of sales through chemists in Britain, but some of the 35 separate distributors which they jointly own have sales networks through Asia and Africa handling cosmetics and a good deal else besides drugs.

Hoover apart, domestic appliance manufacturers, are still sticking to resale price maintenance. This means no price war in the shops; but the manufacturers themselves are indulging in a minor round of cuts. This week Morphy-Richards (Astral) announced that, next month, its £24 3s. spin dryer would go down to £22 11s. 6d.; earlier, Stokvis announced its dryer was coming down from £26 5s. to £24 3s. Last week Kelvinator cut prices on two of its biggest refrigerators.

Analysing the returns from British investment in western Europe in the most recent issue of the Banca Nazionale del Lavoro *Quarterly Review*, Messrs J. H. Dunning and D. C. Rowan do not give them high marks. Not only has the profitability of British companies overseas been considerably below that of their American competitors in Europe, there is little evidence that firms investing abroad reap large net increases in their exports. The reliability of the authors' own special surveys of the experience of British firms investing in Europe is questionable; the response to their questionnaires was poor. But the study also draws heavily on official data.

The Nuclear Power Group's £250,000 goliath crane at Dungeness goes down in smoke. It straddled the site and lifted up to 366 tons at a time into position. Its second-hand value is nil, and TNPG, now it has lost the Dungeness "B" contract, has no other work for it. Dismantling it piece by piece would cost up to £80,000, take five months. So the 1,100 tons of steel rubble will be sold for scrap. The two other, slightly bigger, goliath cranes used by the other two atomic consortiums were built in such a way that they could be dismantled—at a higher initial price close on £½ million. Both are now on their second sites; one went from Trawsfynydd to Wylfa, the other from Hinkley Point to Sizewell. The latter is now being dismantled again and may, one supposes, end up at Dungeness again for the next new atomic station.

BOAC cares...

about Nelson's lazy island and the world at large

The little coral island of Antigua floats in the Caribbean like a biscuit in wine. There's plenty of sun and hard white beach and shady flowering trees. A nice place to be lazy in. Even Nelson liked to take time off here.

Antigua may only be a few miles wide, yet BOAC cares enough about people to fly them there. Antigua apart, BOAC realises that it takes all sorts to make a world, and that they all want to go in all sorts of different directions. So BOAC flies people to fifty-one different countries as well.

In fact BOAC flies to more places more often than any other airline—in excellent comfort, of course. Moral: it's good to know that BOAC cares for you just as much over Chicago as over the Channel, and doesn't turn a blind eye on Antigua. Isn't it?

BOAC TAKES GOOD CARE OF YOU

B A

POWER

Just eight minutes before the dawn, the sun generated power and delivered light for sundials, warmth for the earth. Rising over the fields on its never-ending cycle... the sun is the infinite source of power and life itself.

Yet the sun is but one permanent source of power. For well over a century, International Harvester men and women, throughout the world, have produced equipment that helps multiply man's powers. Today, the result of their efforts is better equipment for agriculture, construction, and transportation. You can depend on IH as a continuing source for your future power requirements.

Wherever IH equipment is manufactured, it is built to the highest standard of excellence in adherence to the principle that here are not mere tools, but power itself... *applied* power to meet man's basic needs. International Harvester Export Company, Chicago, Illinois U.S.A.

International Harvester puts power in your hands

BUSINESS □ INTERNATIONAL

ITALIAN ECONOMY

Worrying About Investment

ONCE again, Italians have gone off on their August holidays with a question mark over what happens to the economy when they come back. Last year the fear was that the country would slip into real depression as a result of earlier crisis measures to right the balance of payments. It did not; but the recession was sharp enough by postwar standards. This year the question is, will investment recover after its long pause? Last summer the authorities were being optimistic because of the extraordinarily rapid return to surplus on the balance of payments. This summer they are worried by the persistence of the surplus. Much of it is due to the stagnation of imports—down 6 per cent in the first six months of the year compared with the same period of 1964—which must be read mainly as showing a weakness of demand for investment goods. In an economy that is in rapid structural change, this is disturbing. (The import lag has added its mite to Britain's troubles: purchases from Britain in the second quarter at under £30 million were down 15 per cent on a 12-month comparison, and 37 per cent in the first quarter.) What recovery there has been so far has been led almost entirely by consumer goods industries: Turin, which had a black Christmas, is now beginning to boom again, with Fiat taking on new workers.

Last week the Cabinet approved relief measures for the hard-hit textile industry before taking its holiday with the rest of the country. The measures include help in retraining redundant workers and the setting aside of nearly £30 million to subsidise rationalisation. At the end of the month a decree-law is to be published to stimulate the building industry. A fund may be set up to provide 25-year mortgages at low cost for house buyers in the lower income groups. The government's aim is to swing the industry into new channels after the spree of luxury speculative building that collapsed with last year's restrictions and big political uncertainties about a new urban building law. The government hopes that by breathing new life into building it may transmit the necessary spark of optimism to business in general.

Italy, like France, is going through a deflationary cure. The role played by the finance minister, M. Giscard d'Estaing, in France has been largely assumed in Italy by the governor of the Bank of Italy, Signor Guido Carli—because of the ineffectiveness of the centre-left government coalition that was supposed to launch Italy on a new course of honest rule and structural reform. Carli's eyes, like Giscard's, are fixed on the need to check price and wage rises in order to induce more saving and promote a healthy capital market. In his annual survey of the economy in May, the governor stressed that last year the internal liquidity squeeze and economic stagnation, coming on top of an exceptionally rapid rise in wages and salaries, must have prevented many firms from making proper depreciation allowances. He looks to relative stability of wages now to restore firms' return on capital, and therefore their will and capacity to invest. The pause induced by last year's crisis measures has lasted longer than the Bank of Italy would have wished. The peak of the upswing before the crisis was reached in October, 1963, and the index of industrial production did not recover to that month's level until June, 1965—20 months later. But the bank argues that the drastic extent of last year's squeeze was forced upon it by the excessive pace of advance in the two previous years, which caused liquid resources intended for investment to be sucked away in higher wages.

Recent surveys of business opinion in Italy show that the breeze of reflation is still barely perceptible. But gross national income should grow by over 3 per cent for the year as a whole, thanks to a good harvest and a fair advance in consumer goods industries. This is a far cry from the 6 and 7 per cent days of the miracle. But exports are still a bull factor—up 20 per cent on merchandise account in the first six months of the year compared with the same period of 1964. And eventually investment should follow.

ATLANTIC PIPE-DREAMS

A Kite from New York

SENATOR JACOB JAVITS, New York's independently-minded Republican, has always had a flair for picking up and backing the good cause—if never an official position to bring to bear. This week, just when sterling seemed to be recovering anyway, the Senator proposed a still closer Atlantic partnership to help the pound: the formation of a free trade area in manufactures and the extending of American technical and financial aid to this country. It was all more dramatic than new. And all very unofficial. But it would be a mistake to dismiss it out of hand for all of that. The basic idea of a free trade area across the Atlantic is a good one—this newspaper advocated exploring this possibility when the European door banged shut. And we have also advocated a virtual merger of the British and American exchange equalisation accounts through a major and permanent extension of the swap facility. The Senator's scheme while sensibly suggesting starting modestly—with perhaps just the three giants, the United States, Britain and Canada in the trade area—is open-ended. Presumably it would eventually embrace at least Britain's Efta partners. It is a suggestion worth official consideration—particularly now that, hopefully, the heat of the sterling crisis has cooled—if only as a less-than-ideal solution.

US SHIPPING

Kicking Freight Rates

AFTER two years of wrangling with European and Japanese shipping cartels, the American Joint Economic Committee of Congress and the Federal Maritime Commission have together come to the conclusion that

> American exporters pay one-third more to ship their commodities to England than English exporters pay to ship similar commodities to the United States.

They deduced this from one part of the statistics they obtained—in confidence—from the shipping conferences after discussion with British, European and Japanese governments under the auspices of the OECD, and they used these figures to make a comparison between various tariffs to and from America. The trade with Britain is the first on which examinations have been concluded, but other reports are soon likely to follow that will show an even more startling discrimination against American exporters.

Should one sympathise with the discriminated-against Americans? They did not base their complaint on comparisons of the weight, the volume, even the value of two-way trade on any given route and if they had done, the comparison would not have supported the complaint. But they used the "revenue ton" as the basis for their argument and this is a unit of measurement that can mean whatever suits the shipowner at the time. It contains elements both of volume and weight, and freight is charged on whichever basis brings the biggest return. The general feeling outside the United

States is therefore that the American figuring has proved precisely nothing. But the important practical point is that the FMC argues it does, and the shipping companies are speculating what the FMC will do next.

It can quite simply disallow existing freight rates, but then the shipping conferences would take it to court, where the FMC might find it difficult to support its choice of the "revenue ton" as the basis of its calculation, a fact of which the chairman of the FMC seems aware. So the commission is more likely now to intensify its nagging campaign rather than seek an immediate show-down. So it is rumbling about needing more information, and now that it has made public data that was given to it in confidence, European governments may very well not oblige.

OIL IN SWITZERLAND

A Russian Stick Waving

Basle

In the next seven years, 7 million tons of Russian crude oil are to pour on to the Swiss market through Raffineries du Rhône at Aigle-Collombey which, as the first Swiss refinery independent of the international oil companies, has so far operated at a heavy loss with only a third of capacity used. The crude will come through a pipeline from Genoa. While Raffineries du Rhône has confirmed this news, it is still surrounded in secrecy, and some reports say the amount will be 12 million tons. With present oil consumption at approximately 7 million tons annually, this would mean, averaging out, a share of 10 to 20 per cent of the Swiss market where, up to now, only small amounts of iron curtain oil have been sold. The crude oil is to be offered at prices calculated backward from the Swiss selling prices for finished products, allowing for refining and transport costs.

At the least, Raffineries du Rhône will be better able to withstand the unmerciful price struggle with the big companies. Anyway, it is now in a much stronger position in the negotiations with the international concerns on bilateral cooperation or takeover which have been going on for a long time. The negotiations are likely to continue as one can hardly expect the international oil companies to swallow this amount of Russian oil without resistance. But they will have to calculate carefully what price they are prepared to pay. Raffineries du Rhône is now in a position to launch a price war which could be damaging.

Public reaction has been surprisingly muted. Trade with the east is less controversial than before—the authorities even seem to welcome the business, with an eye on the possibilities of compensation for the Swiss export industry. And there is also a note of glee that Switzerland's "baby" is succeeding in making a dent in the big foreign companies.

CEYLON

A New Course?

Colombo

The budget presented by Ceylon's four-month-old government is best regarded as a declaration of intent. There is no mistaking the course it sets for the economy but the really hard decisions still lie ahead. Restraining current consumption to mobilise savings for investment is not going to be easy.

During the nine years the preceding government was in office, the net cost of food subsidies increased almost fivefold, accounting for a fifth of all current expenditures. It is widely recognised that support of private consumption cannot continue on this scale, but it needs more political courage than is immediately in evidence to do anything about it. Last time a government attempted to do so, it was nearly swept out of office.

Over these nine years, government revenues increased by 40 per cent but expenditures rose by twice as much. In addition a steady decline in the terms of trade, which fell by 9 per cent in 1963 and a further 3 per cent in 1964, had serious consequences for an economy in which almost half of the total supply of goods and a quarter of national income is accounted for by imports. Difficulties could have been mitigated by more foreign aid and investment, but both were largely shut out by official actions. The dispute over compensation to be paid to nationalised oil companies halted United States assistance in 1963.

These were some of the problems faced by Dudley Senanayake's government when it came into office at the end of March. Unmistakably oriented towards the West, its first act was to appeal to the International Monetary Fund and the World Bank for help. With liquid external reserves practically gone the IMF was persuaded to make a $30 million standby credit quickly available, half of which was drawn in June. Response from the World Bank was equally prompt. It brought together seven countries at a meeting in Washington at the end of July and secured from them pledges to participate in a $50 million emergency aid programme to finance imports during the second half of 1965.

This rescue operation largely determines the character of Monday's budgetary exercise. It marks the beginning of a new economic and financial discipline; this effort at self-help is an obligation Ceylon has assumed in return for new foreign aid. Thus the budget deficit is reduced to roughly half of the level of recent years, while bank credit is held down by a ceiling on borrowings. This should have a healthy impact on prices, especially with the help of increased supplies made available by aid. Equally noteworthy are fiscal measures taken to make exports more attractive and imports more expensive—a 5 per cent tax rebate on manufactured exports and a 10 per cent surcharge on customs duties with exemption for food and a few other items.

The break with past policies is seen most clearly in changes made in the tax structure. Taxation of both resident and non-resident companies is significantly reduced along with sharp cuts in the wealth tax and capital gains tax. Personal income taxes are unchanged, but the effective incidence is brought down by generous rebates offered on approved investments. Tax savings will accumulate in a special account in the central bank and may be used for purchase of shares in approved companies, providing a shot in the arm for the private sector.

Particularly pleasing to foreign investors is the decision to lift the moratorium on remittances imposed last year. A tenth of arrears are to be cleared in August and the balance as quickly as reserves permit. Minor irritants like tax on personal remittances are removed to underscore the shift in the government's policies. The government now also intends to allow foreign banks a larger role in the economy.

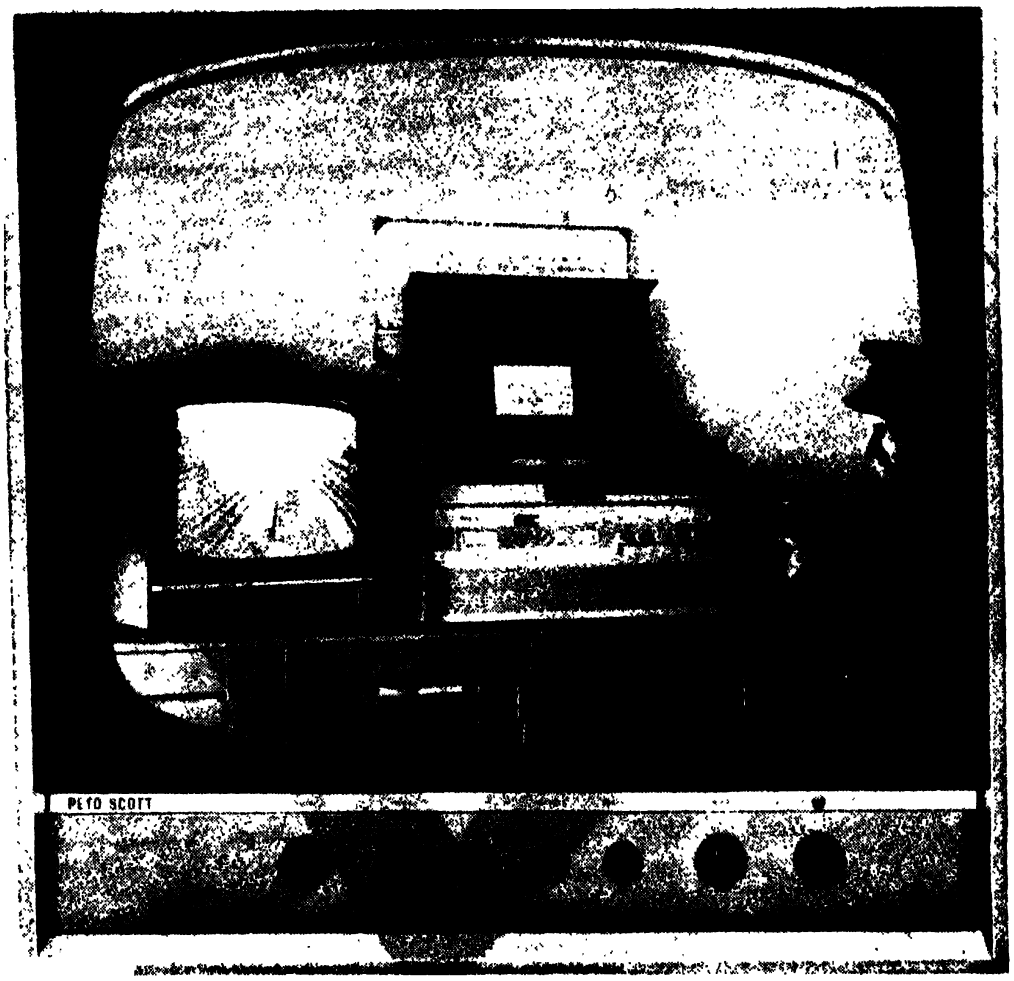
The stage is thus set for harnessing private initiative, domestic and foreign, in the cause of economic recovery in all fields including agriculture. Tax and other incentives are offered to encourage large-scale commercial farming, a major departure from the pattern set by Asian governments. Imports of food account for half of the import bill. Small holdings worked by traditional methods yield only small market surpluses and perpetuate high costs, requiring proportionately large subsidies. Improving their productivity will take years; large-scale commercial farming offers a short cut.

Substitution of manufactured imports has a more limited role. Self sufficiency in cotton textiles may be achieved in a year or two, but in many branches of manufacture scope for advance is limited by the small size of the home market and lack of natural resources. Some types of final processing may be done within the country—steel rolling for instance—but the main thrust must be directed towards growing enough food. There is no getting away, from this demanding but unglamorous task.

SHORTER NOTE

In a report last week on Pipeline Finance, the international banking consortium set up to advise and raise funds for oil and natural gas projects, we referred to one of the consortium's members, White, Weld of Zurich, as "the European end of a well-known oil plant engineering group in the United States." The Zurich firm is in fact a subsidiary of the well-know New York investment bank which specialises, among other things, in financing oil projects.

Eye on Peto Scott

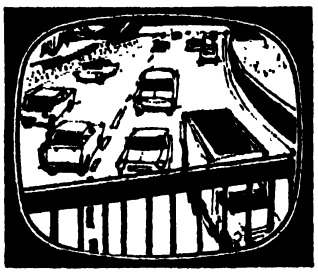


Professional Recording Systems

Whatever your need for recording equipment, contact Peto Scott – specialists in professional sound and video recording systems to any degree of complexity. Typical installations include recording facilities in law courts, broadcasting and recording studios and airports.

How would you use the advantages of Private Channel TV?

The uses for Peto Scott Private Channel TV are as varied as industry itself. Above you see just one recent example: railway surveillance against hooliganism at Elm Park on the Eastern Region. The installation is remote-controlled from the Porter's room, where a monitor screen shows a constant picture of the track, and a video tape recorder makes required recordings. Other examples of Peto Scott Private Channel TV applications include production control, night security, transmissions to overflow audiences, traffic-flow checks on bridges. Companies and authorities of all kinds are at this moment studying the advantages that Peto Scott Private Channel TV can offer them. How would you use this new tool? Let us help you find out.



Communicate and sell

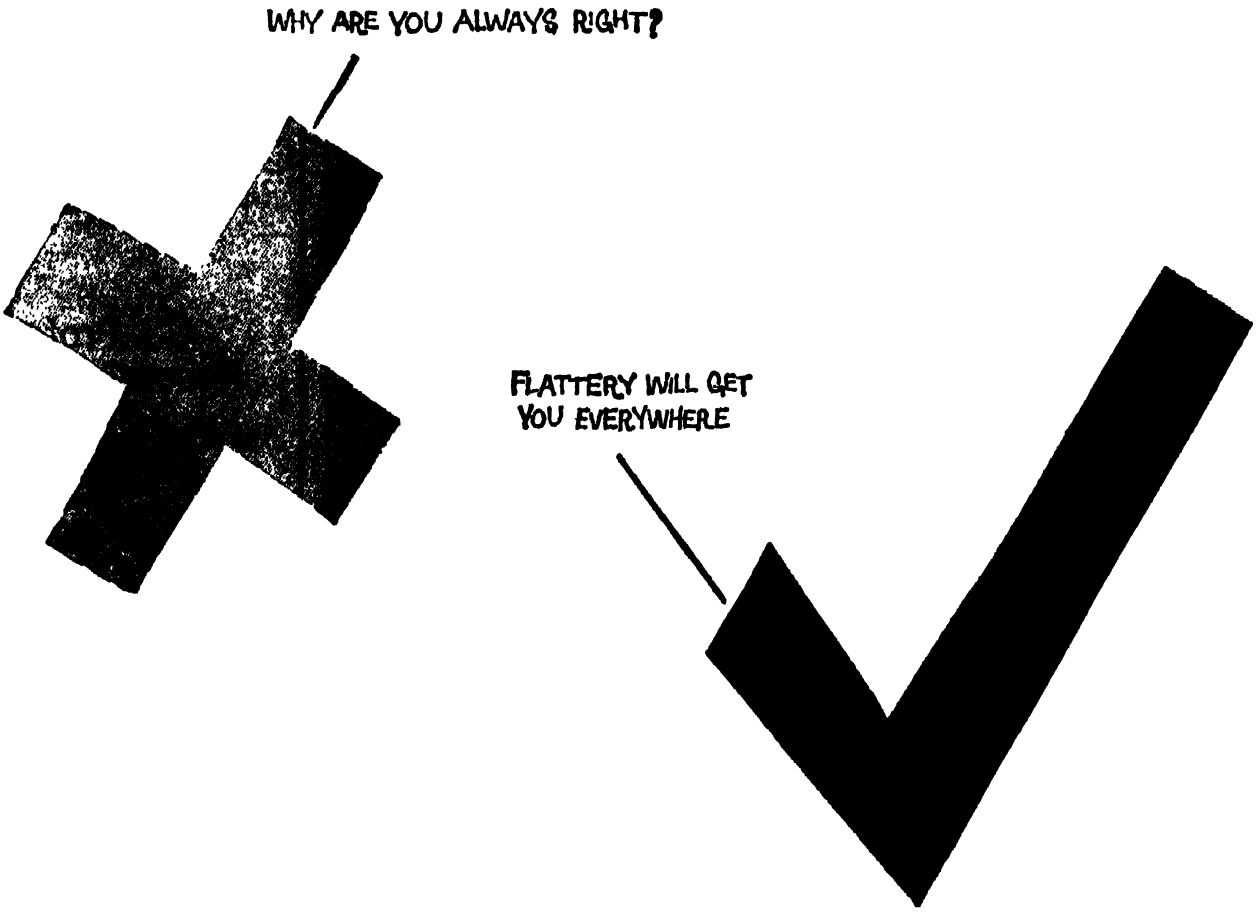
A sound system is a vital part of the equipment in any large retail operation. Peto Scott have the equipment, the personnel and the experience required to tailor sound systems for any situation. Write for information.

Contact Peto Scott

Peto Scott Electrical Instruments Ltd., Addlestone Road, Weybridge, Surrey. Telephone: Weybridge 45511.

Peto Scott supply sound and vision systems, educational aids, video tape recorders and the Eidophor cinema-screen TV.

QUESTION TIME



Why research gets a top priority with Shell-Mex and B.P.

It's because hunches, tea leaves, and the palm of the Marketing Manager's hand, are not very satisfactory ways of telling the future.
We subscribe to the thought that if you know a lot about today, tomorrow will present fewer problems. And that's why we initiate so much market research, most of it designed to keep us aware of all our customers' opinions, needs and idiosyncrasies, finding what they want and why they like or dislike what they have. In this way we keep our products oriented future-wise as somebody might have said in 'How to succeed in Business.....'

SHELL-MEX AND B.P. LTD QUESTION EVERYTHING

WORLD RESERVES

Argument Out in the Open

This week's published report of the Ossola study group on the creation of a new international reserve asset is both the victim and the beneficiary of the drastic change in the international monetary scene since it was set up a year ago.

BEFORE differences in approach had been forced into the open by General de Gaulle, last year's master-report of the group of ten still managed to hold the line of unanimity. In practice this meant that all the important issues were fudged: and it was never easy to see how the technical experts of the Ossola group were to get much further than their divided superiors. In the event the open break in the collective front marked by the French call for some kind of return to the gold standard early this year, which was followed by hasty revisions in the French official position inside the Ossola group, removed any remaining possibility that the report might be an agreed working blueprint for action. Instead it virtually forced Signor Ossola to present his technical analysis largely in the form of two alternative approaches. For while it has always been an over-simplification to see the liquidity dispute in terms of France versus the Rest, this has been nearly true on the particular point of the link with gold.

The Restrictive Cru

By spelling out for the first time what the French have been proposing in their scheme for a collective reserve unit, the report confirms one's worst fears. The Cru would be linked to gold in the periodic settlements, and probably in its initial distribution too. It would be limited to a small group of industrial countries. It would be run outside the International Monetary Fund—the Agent would be the Bank for International Settlements. And the amount to be distributed and other decisions would be decided by unanimous vote. Every one of these characteristics is potentially restrictive. The running of the scheme from Basle rather than Washington ensures and is intended to ensure a more cautious approach. The unanimity rule means that progress is at the pace of the group's "most reluctant member."

Restriction of membership means that the "profit from the [international] note issue," to use Mr Maxwell Stamp's illuminating concept, will go only to the rich countries. And the gold link will mean that even among them the additional reserves go mostly to these countries most rich in reserves already. And this aspect of the scheme has been restrictive in advance: it gives countries an immediate incentive to increase the gold portion of their reserves, to be eligible for a larger allocation of Cru. Indeed, switches of dollars and sterling into gold in the first six months of 1965 have actually reduced world liquidity as officially computed. The IMF shows a rare fall in total world reserves in the first half of this year, of $325 million to $68·6 billion. The recent intense demand for gold, and the conversions of sterling balances, are unlikely to have reversed this trend. True, the President of the German Bundesbank, Dr Karl Blessing, stated recently that such a reduction in international liquidity "can only be a desirable feature in the interests of price stability"; but to most other people it is distinctly alarming.

For those who don't need it . . .

The obsessive desire to ensure that the creation of new reserves is not too closely linked to finance balance of payments deficits, and that the surplus countries get their share, could easily produce an elaborate scheme for channelling new reserves into the hands of just those countries that do not need them. Yet no one suggests in domestic banking that instead of lending to those of its customers who happen to be short of money at the time, a bank should rather divide up its credits among all customers according to the size of their existing accounts. The present continental hesitance to link the creation of new international credit to the finance of payments deficits, backed in some cases by insistence on the gold link, recalls in one sense the resistance of the English Currency School to the spread of domestic credit creation in the nineteenth century—and the gold link is again playing much the same part, internationally, as it then did in relation to the domestic note issue.

The Ossola report, perhaps more than any document before it, brings this new intellectual difference into the open: and it is all the better for that. Here, for the first time officially, is the case against gold—and for the Fund. After listing the arguments for bypassing the Fund, the impressive paragraph 125 sets down the counter arguments—"some of which were supported by all other members of the study group."

These arguments of principle are in a sense extraneous to what the committee saw as its main function before the Gaullist intrusion—to set out the different technical ways in which a new reserve asset might be created, and compare the quantitative effects. The weight of opinion in the countries other than France seems clearly to be moving towards some kind of extension of the existing procedures of the Fund. Mr Reginald Maudling's 1962 proposal for a Mutual Currency Account is mentioned in a modified form less open to the criticism that it was designed to relieve Britain or America of any inconvenient awkwardness arising from their reserve currency role. Since then, the new Chancellor of the Exchequer has declared his willingness to have a "basic discussion about the role of the reserve currencies," though Mr Heath in his television remarks last week still seemed to be clinging a little too instinctively to the automatic benefits that accrue to Britain from that proud role.

Keeping it complex

Reluctance to see a diminution in the role of the reserve currencies has also got in the way of proposals that the new international reserve asset should exist in its own right and be transferable directly between central banks. The advocates of this kind of transferable international deposit see it, in the words of the Ossola Report, as "simple to administer, to understand and to build upon." Its opponents, on the other hand, believe that the facility of direct transfer would "increase the risk of a reassessment of assets now available and might lead to an unnecessary demand for the new assets in substitution for existing holdings, particularly of reserve currencies." In other words, the new form of international money must not be made too attractive lest it show up the deficiencies of existing forms! By taking this kind of defensive stand, America and Britain present a sitting target to French dialectics. They need instead to make bold gestures of their own. Much as central bankers are attracted to gradualist and little by little solutions, it is becoming increasingly doubtful whether these can now match the scale of the problem. Elaborate new facilities will lose their purpose if they are so difficult to understand that the responsible authorities do not *feel* the richer for their access to them. And beyond that, the exercises of the past year have surely shown that some cures can be worse than the disease.

KEY INDICATORS

WORLD COMMODITY PRICES

Rubber and **pepper** remained unmoved by Singapore's changed relations with Malaysia and Indonesia, while the price of **tin**—less involved—rose markedly, if briefly. **Cocoa** prices went up 10s. over the week, helped by the fixing of a firm date for a cocoa conference.

	Index 1958 = 100		Percentage change on *	
	Aug. 4	Aug. 11	One month ago	Twelve months ago
ALL ITEMS	102·4	102·4	+0·0	− 6·1
Food	96·9	96·9	Nil	−11·2
Fibres	100·0	100·0	+0·3	− 5·4
Metals	199·0	201·3	+6·3	+ 7·8

The Economist Commodity Price Indicator includes nineteen commodities weighted according to their relative shares of world trade in 1958.

** Changes relate to this week's figures, but these, except for the metal group, are provisional because quotations for tea and wool are not yet available beyond last week.*

BUSINESS □ INVESTMENT

JAPANESE MARKET

Just Like Old Times?

Tokyo

It has been almost like old times on the Tokyo stock exchange. Although this week has seen a pause in the recovery set off by the government's reflationary programme announced at the end of July, the Dow-Jones index is still 100 points above its nadir of 1,020.49. Gains were made on a broad front as institutional investors started to buy; and the public, ignoring the small securities firms, began re-entering the market through the big securities houses. Daily trading, which has been down to below 40 million shares (the break-even point for the Japanese securities trade is 100 million shares), began a steady rise beyond the 100 million share mark reaching an average of 159 million in the last fortnight.

The jump came in selective buying by the securities firms and short-covering by the bears. Oversold speculative shares were first to climb. Construction, communications equipment and building material issues, because they would benefit most from the increased public works projects, rose sharply. It appears certain that the advocates of moderate inflation have won their agonizing battle against those Japanese financial experts favouring retrenchment, stability and a continued wait-and-see. Those urging stepped up public spending and financing have convinced the prime minister Mr Sato, that a big spending programme will provide an annual growth of 7 to 8 per cent and will not result in dangerous inflation and another foreign payments deficit.

It is very doubtful that the market will be able to hold its gains as the inevitable profit-taking follows. The immediate outlook for Japanese business is gloomy, with company earnings almost certain to decline further in the current April-September term. Half-way measures have demonstrably been inadequate; and continuously rising exports have given the Sato Administration the confidence to risk taking the chance that imports might also climb if a government spending programme is pushed. The trade surplus for June, for example, was $123 million—or more than enough to cover the deficit of $55 million in non-capital invisible trade. One sour note: a heavy outflow of short-term foreign funds resulted in a net decline in foreign exchange reserves of $38 million, the third successive monthly deficit.

"Improvement" has already been noted in the steel and textile price structures, due mainly to cartels backed by the Ministry of International Trade and Industry and reluctantly approved (at least unofficially) by the Fair Trade Commission. It appears that the government's spending programme will at least keep the stock market situation from becoming worse. There is an excellent chance that the economy may become strong enough for basic defects, such as excessive inventories and surplus capacity, to be corrected. But if these defects are not remedied soon enough, larger public spending will be necessary, in the view of many Japanese economists who point to poor corporate returns expected in the April to September business term. In the meantime, the tired men of the Kabutocho (the Tokyo Stock Exchange) are worried about inflation. Will the Japanese, after their recent stock market shocks, put their trust in equity shares as an inflation hedge?

LONDON MARKET

Going Long in Gilts

By Thursday it had become hard to believe that it was a mere week since the City had waited fearfully for a 9 per cent Bank rate and heaven knows what other horrors. In practice, as we emphasised in these columns a week ago, the rumours were never matched by market dealings; and even the rationalisation of last week's recovery in equity prices as attributable to devaluation fears was itself suspect. Had it been accurate, share prices ought to have fallen this week, with the change in the atmosphere in the exchange market and the excellent trade figures. Instead equities rose further, *The Economist*-Extel indicator putting on 5.5 points to 374.1 in the week to Wednesday, 3½ per cent above its early July low point. But the really notable element of this week has been the sharp upturn in gilt-edged, putting 1½ points on War Loan to 53½, net of accrued dividend. Many analysts now take the view that even if equity shares could still have a little way to fall, there is no reason to expect any further substantial rise in long term interest rates, and a number of reasons why there could be a substantial fall. So they are advising clients who have kept out of both equities and long-dated or undated fixed interest securities that now is the time to go long in gilts. Certainly past experience suggests that while the bottom in equities has been reached only a few months after the peak of the business cycle and the imposition of restrictive measures, the bottom in gilt-edged has followed these turning points very closely. At the short end of the fixed interest market, too, rates on local authority deposits have fallen this week. In these circumstances, the Building Societies Association wisely decided against recommending any increase in the mortgage rate on Thursday afternoon. True, the societies are now in the paradoxical position of being embarrassed by the large inflow of investment funds, since the current unusually low margin between lending and deposit rates means that expansion puts a strain on reserves. But there should be no harm in taking this strain for a month or two—by the autumn, always provided sterling does not begin to play up again, the way could be clear to expanding the margin from the other end—by lowering the deposit rate.

KEY INDICATORS

MOVEMENTS ON THE WORLD BOURSES

LONDON
Long-dated bonds returning to favour.

NEW YORK
Recession fears fading.

GERMANY
A firm week.

	INDICES *		Percentage change from:		
	Aug. 4 †	Aug. 11 †	A week ago	A month ago	A year ago
London	370·2	374·4	+1·7	+2·4	−11·2
New York	883·9	881·5	−0·3	+0·4	+ 6·4
France	90·2	89·4	−0·9	+2·5	− 9·3
Germany	95·1	97·0	+2·0	+3·2	− 8·1
Holland	333·0	336·6	+1·1	+1·5	+ 0·7
Italy	56·1	Closed	—	—	—
Belgium	129·0	129·9	+0·7	+3·8	+ 1·2
Sweden	263·4	265·5	+0·8	+3·7	+17·2

* *For Bases and Stock Prices and Yields see pages 657 and 658.*
† *London, August 5th and 11th.*

WALL STREET

Vietnam to the Rescue?

New York

STOCK prices on the New York exchange have continued to cling tenaciously to relatively higher levels to which they rebounded following the sharp six-week break from mid-May to end-June. The new ground represents a recovery of about two-fifths of the previous drop as measured by the popular stock averages. Many brokers would not be surprised to see the market fight it out along this line for the balance of the summer. Though shareowners are reluctant to crow about it, there is a quickening sense that the nation's expanding military involvement in Vietnam can scarcely avoid being good for business, especially military suppliers and many other companies that bid in government orders. As a result, erstwhile talk on a recession, possibly starting this winter, has given way to a growing feeling that economic activity will continue lively into 1966.

Steel remains an enigma. Yet the market seems unworried over what will happen after the September 1st strike deadline. Some investors are confident that once union and management horses approach the starting gate, neither will want to be accused of bolting unpatriotically while American lives are being lost in Vietnam. Some official hand wringing is going on about the possibility of further upward pressure on price levels generally, but this too seems to be serving as a market prop. The wholesale price index in June at 102.8 of 1957-59, moved to a new peak for the fourth straight month. Consumer prices rose meanwhile by half a percentage point, the largest month-to-month advance in two years. Yet the index at 110.1 was still only 1.9 per cent up on the year—earlier month. Upward price pressures are a potential market depressant if they are thought to have reached the point of triggering tighter money, thereby adding to securities' credit costs. Short of extreme measures, however, the market usually takes kindly to inflationary tendencies, and this is what it seems now to be doing.

COMPANY LAW

Half Measures?

A YEAR ago Mr Edward Heath as Secretary for Industry forecast that the Conservative government would be introducing new company legislation in the 1965-66 parliamentary session. This legislation would have embodied those favourite themes of Mr Heath's, the stimulation of greater industrial efficiency and competition. The accent would have been on greater disclosure of financial information by companies, although the bill would have been a general reform of company law. Now, under Labour, it seems that the emphasis has been shifted even further away from a general reform. Mr Douglas Jay announced in a written Parliamentary answer last week, that the bill now being prepared will provide "primarily" for the disclosure of information in company accounts. This is certainly the most urgent need; but it is only a part of the comprehensive reform of company law that is long overdue.

It is now six years since the Jasper affair induced a worried Mr Macmillan to promise this reform, before the 1959 general election. The Jenkins committee reported in 1962. Meanwhile new building society legislation had been enacted by 1960. And the other immediate issue raised by the Jasper incident—take-over bids—could have been dealt with by specific legislation. In fact the City has since evolved its own set of rules.

The Bill will probably contain some distinctively Labour touches. Disclosure of political contributions—promised in the Queen's speech—can be expected to become compulsory. And thanks to Mr Wilfred Harvey, the pressure within the Labour party for disclosure of individual directors' remuneration may now develop a new strength. Previously only Mr Peter Shore and a few friends felt really strongly about it. If Mr Jay makes any concessions to this view, the best one would be to require directors' individual salaries, share options, etc., to be shown individually, but not the same information for all highly paid employees. It is reasonable for shareholders to know how much their own appointees are making out of the company; but the highly paid manager, appointed by the board, is in a different position.

Finally Mr Jay will have to decide whether his regulations will go beyond the Jenkins committee recommendations or not. The London stock exchange's new regulations already require information that the Jenkins committee did not ask for: interim accounts and an analysis of trading results. At the same time the stock exchange is pressing for turnover to be given, with a breakdown where appropriate, and when he was chairman of the Council, Lord Ritchie, "recommended" that information on stock in trade, fixed assets, investments and subsidiaries should also be given—and turnover. These provisions should now clearly be made statutory, at least for public companies. But in addition the Companies Bill could usefully cover the subjects that the Jenkins report recommended but the stock exchange has not requested (disclosure of rents, market values of trade investments, short-term interest paid).

What is unfortunate is that a bill dealing only with disclosure would do nothing to check the spread of non-voting shares—another question that is perhaps too hot for the stock exchange to handle, and another matter on which the Jenkins committee (as well as City opinion), were divided. Equally the use of nominee shareholdings to conceal beneficial ownership, and potential control of a company would also escape regulations. The Jenkins committee recommended disclosure of a beneficial interest in a company of 10 per cent or more. These and other questions will presumably be crowded out of Mr Jay's bill for the coming Parliamentary session. But the state of company law does need to be reviewed at least once every twenty years. Let us hope that Mr Jay (or his successor) will find time for it in the 1966-67 session at the latest.

INTERIM RESULTS

Fortunes Overseas?

THIS week's news from three big international companies must have severely jolted many of those indiscriminate speculators who last week bought shares in companies with large overseas incomes as a hedge against devaluation. The second quarter figures from **Unilever** show a sharp fall in profit margins; sales to third parties were up 8%, to £452 million, but pre-tax profits were down from £33.2 to £32.4 million compared with the same quarter last year. The rising profit trend of the first quarter has been reversed by the increasing competition in detergents, which comes mainly from the American Proctor and Gamble. Those who thought the Dutch interests would provide a good hedge can get no comfort from the Dutch company's figures, which show a bigger fall in profits than the British. But Limited has provided for corporation tax on the pessimistic assumption of a 40% rate.

Monday's letter to shareholders from **Shell's** chairman brought the depressing news that overspill relief with corporation tax at 40% would be only £6 million; to maintain last year's level of retentions and the same net dividend (it seems that the previously tax free dividend will be fully taxable) an extra £29 million of net profits would have been needed. But Thursday's half year results were cheerful. Net income at £107.9 million was 3.6% higher than in 1964 and, even more encouraging, the second quarter figure was 7.2% higher. So Shell's profit trend is the reverse of Unilever's. Long term debt at £365 million is up by 50% on the half year figure for 1965, mainly the result of borrowing by the American subsidiary Shell Oil. While the gearing of this overseas borrowing will in time help shareholders in Shell, the interim period is going to be difficult for the dividend.

Alone of the three **British American Tobacco** had only good news to announce. At the half year pre-tax profits were up 24%, to £42 million and the company says that at this level profits should be high enough to allow the company to maintain its gross dividend even if corporation tax is 40%. And if the tax is 35%, retentions should not be affected. But the board is still uncertain enough about all the effects of the new tax system not to forecast the final dividend. At 55s. 10½d. the share yields 6.6%. Shell Transport yields 8.2%

at 31s. 1½d. and Unilever only 3.8% at 33s. 3d. The 3s. spurt by Unilever last week was obviously the result of some ill-judged buying.

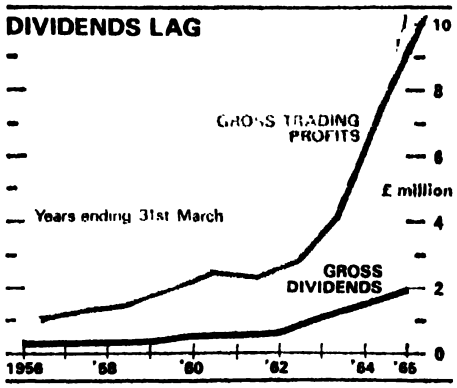
ELECTRICAL COMPANIES

Thorn Turns to Gas

THE Thorn record remains unbroken. Trading profit for the year to March 31st was up nearly 35% to £14 million and the dividend has been lifted from 22½% to 30%. The dividend is now covered a perhaps more than 4½ times and cash flow is nearly £7 million; even so net overdrafts have doubled to £11 million. Shareholders might wonder if the company will ask them to put up more money, especially as the last rights issue was in 1962, but the chairman, Sir Jules Thorn, has made it plain that there are no plans at the moment to raise further capital.

Can Thorn keep this cracking pace up? In the current financial year the economic background is likely to worsen and Sir Jules is as usual unwilling to forecast. Moreover, over the past ten years there has been a vigorous and perhaps unrepeatable boom in electricity-using consumer durables which has enabled the efficient Thorn to increase its profits at a very smart rate, while high gearing has increased shareholders' earnings even faster. Whether the current gas boom is going to prove as long lasting as the electricity boom cannot be foretold, but Thorn's purchase of Glover and Main, the makers of Main gas cookers, suggests that Thorn expects it to be a very profitable one. This year the growth in profits may slow down—in 1961, the year of Mr Selwyn Lloyd's credit squeeze, trading profits actually slipped back marginally; but over the longer term still further quick growth can be expected.

Thorn's success must have a very sour smell to **Westinghouse** shareholders who rejected a bid by Thorn in 1963; their shares at 21s. 9d. are now 10s. below the Thorn bid price and they have just seen their interim dividend passed. Yet they may have saved Thorn from making a bad purchase. Westinghouse is not an electrical consumer durable company and many of its interests—in braking and colliery equipment for instance—would certainly not have fitted into Thorn's existing business. Integration and selling unwanted interests could have proved even less profitable than running Westinghouse as it is now. The bid looked very odd at the time and looks even odder in retrospect.



But Westinghouse shareholders may not be alone in feeling disappointed. Thorn's rival, **Pye** of Cambridge, has a very erratic record and last October the chairman, Mr C. O. Stanley, could promise no more than ample earnings to cover the dividend on capital increased by the takeover of Ether Controls and the conversion of the convertible loan stock. (Nearly all the stock was converted in January.) He had already detected a slight easing in the demand for consumer goods. Pye is now making a late entry into the gas appliance market through its Ekco subsidiary. This looks like a slow reflex action beside Thorn's purchase of a vigorous and established manufacturer. Pye's accounts—for the same financial year as Thorn's—are due in a month. Meanwhile its shares yield 6.7% at 14s. 10½d. on a twice covered dividend. Thorn's "A" shares yield only 3.0% at 49s. 4½d., just over 25s. below their high for the year. Both have an earnings yield of just under 14%. It now remains to be seen if Mr Stanley can surprise the doubters and announce results that will improve Pye's relative earnings position.

SHOWERINGS/HARVEYS OF BRISTOL

Directors Under the Glass

RESISTING the take-over bid from Showerings last week, the directors of Harveys of Bristol called for particulars of the Showerings directors' service agreements. In their formal offer this week, Showerings have not answered this particular point, but their reply does illustrate just how much touchier a subject the question of directors' remuneration has become since the British Printing Corporation affair.

Thus the remuneration of both sets of directors is given in bold letters, conveniently close to the statement of the profits of both companies. It is not difficult for a Harveys shareholder to see that the remuneration of the eight Showerings directors represents only 1% of pre-tax profits. The ten Harveys directors on the other hand, whose total remuneration, at £89,288, is twice as high in total, were taking roughly 8% of Harvey's pre-tax profits. And although Showerings does not expect the merger to "cause any material redundancy," nevertheless it "will not result in any increase in the remuneration of any of the directors of Showerings and, in fact, it is expected that a substantial overall reduction will be made in the combined total remuneration" of the two boards.

The formal offer also outlines the economic arguments for the bid, as Showerings sees them. Apart from general reductions in overheads, these boil down to the advantage of combining Harveys' high quality and well-known products with Showerings' high grade marketing organisation. Nor have the terms of the bid been altered. They remain two Showerings shares (at 20s. each in the market) plus 14s. cash for three Harveys'; this gives a bid value of 18s. for Harveys, against 17s. 6d. in the market.

YEARLING BONDS

Vantage Discount Market

THE Stock Exchange lost a point in its long standing argument with the discount market over the handling of local authority yearling bonds when it was compelled last week to postpone a £5 million issue because the market could not absorb it. The issue was finally announced on Tuesday. The discount houses have always argued that they were better able to handle these bonds and the first issue, for Manchester Corporation, was in fact made directly by S. G. Warburg to Union Discount and Jessel, Toynbee in February 1964. Discount market bonds now total probably £25 million, all of which have been taken up without trouble. That the stock exchange should fail to find immediate buyers is all the more surprising when compared with the ease with which it has coped with the spate of industrial debentures recently. But big institutional investors and even individuals have been holding yearling bonds while they waited for shares and gilt-edged to come down to buying levels. Last week's difficulty in coping with a mere £5 million, and the return of some institutional buyers for equities and gilt-edged, suggest that the waiting period is coming to an end.

ASSOCIATED FIRE ALARMS

The Long Upward Path

THE rescue operation has begun and it should not be long before the unfortunate shareholders in Associated Fire Alarms see the quotation restored to their shares. But it will be a long time before the share price is up to its level a year ago at 22s., and the pre-suspension price of 2s. 7d. (1s. 7d. below the revised asset value) seems reasonable enough in view of the financial difficulties that will have to be overcome in the next few years. The basic trouble with AFA was an inadequate costing system and a lack of cash. The chairman, Mr W. McPhail, says that "operating costs" in the year to 31st December 1964 were up 27½% on the previous year and contracts were taken on and completed at uneconomic prices. This led to a shortage of money to finance leasing operations within the company and consequently bank overdrafts rose very sharply from £638,000 to £2 million.

The audited accounts for the year have now belatedly appeared and show a net loss of £870,000 compared with a profit last

year of £397,000. But the capitalised value of rented equipment is now assessed at five times the annual rental instead of fourteen times and this is depreciated over five years instead of ten. This changeover alone results in a debit of £737,000 to the profit and loss account for the year. The company's bankers, Westminster and Barclays, must be confident that a substantial turnround is possible, since they, with Mr McPhail, have agreed to provide additional finance; they have also insisted on the appointment of Mr I. Morrow, a practising chartered accountant, and Mr R. Hooker to the board. Mr McPhail intends to retire shortly.

Shareholders will now have to live with their company's costing errors until contracts have run out, and the company will have to bear heavy finance charges; it will probably be eighteen months at least before there is the suggestion of a dividend. And while investors patiently hold their shares—and they can scarcely do anything else—they may wonder why their directors appear to have known so little about the company's affairs.

SHORTER NOTE

Thirst Reduction

Vaux Breweries is strong in the traditional mining areas in the North east of England. Miners are thirstier than other workers but, as the chairman says, "the number of miners employed in Northumberland and Durham has shrunk from 142,000 to 93,000 in the last 10 years." Nevertheless, despite this secular trend, Vaux's sales last year were up by 9% at virtually £20 million: trading profit was only marginally up at £1.75 million. The impact of corporation tax at 40% is almost precisely neutral: increased theoretical retentions (Vaux's dividend was previously covered 2.1 times) balanced by tax to pay on £112,000 of Preference dividends.

SPANISH BOURSES

Foreign Investors Are Not So Sure

The experts of the Organisation for Economic Co-operation and Development are refreshingly uninhibited in their annual critiques of their masters' economic policies. The British and French have already come under fire. This week it was the turn of the Spanish (and the Belgians). The Spanish got off lightly. The authorities were rapped on the knuckles for increasing agricultural support prices and reducing food imports, and for being too timid in cutting back public and private demands on the overburdened construction industry. But that was all. The OECD experts do not think that Spain's present price inflation reflects either a general excess of demand or a widespread cost-push from wages. Nor do they see any reason, given a modicum of good sense and political toughness, why rapid growth should not be combined with relative stability over the remaining years of the Development Plan to 1967.

Barcelona

Not all foreign observers would stake their money on the judgment that Spain's current economic difficulties should prove largely temporary. Certainly foreign investors have been losing some of their enthusiasm for Spanish shares. The shift in the past 18 months has been striking. During 1959-1963 the annual inflow of foreign funds into the Spanish bourses leapt from a mere $8 million to very nearly $100 million; Spanish shares were handled in New York and in most major European centres. But in 1964 net purchases fell by over a fifth. And the movement has continued so far this year.

Admittedly this slackening of interest can be attributed in part to technical factors. Foreign investors concentrate on a few leading sectors of the Spanish market—electricity, banks, iron and steel, chemicals—which soon become saturated: a steep rise in the prices of bank shares during the past year has since been followed by heavy profit-taking. Besides this there is the narrowness of the market and, above all, the persistent depression that has afflicted the Spanish stock exchanges. Stock exchange quotations have declined almost continuously since 1962, although wages, prices and industrial and property earnings have risen sharply. There have been only short-lived bursts of activity, quickly wiped out. The government, recognising the importance of a flourishing investment market to its Development Plan, has finally become thoroughly alarmed. It has called for reports on the position and advice on possible remedies from the Bank of Spain, the Higher Council of Banking and the National Economic Council.

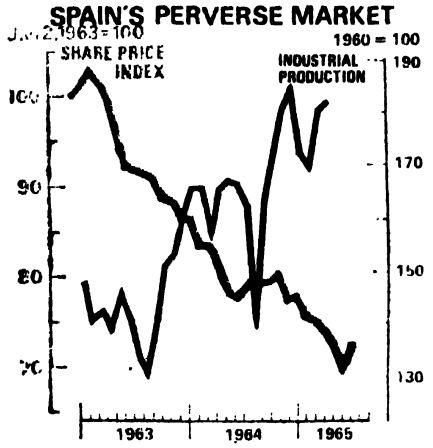
The stagnation will not be easily overcome. Since World War II, the Spanish stock markets have had only two boom periods—from 1947 to 1948 and from 1955 to 1957. Although share prices rose in 1961 and 1962, the index has never recovered the levels of 1957 and 1958. The volume of dealings has always been small. Total dealings in all types of securities on the three Spanish stock exchanges—in Madrid, Barcelona, and Bilbao—amounted in 1962 to the equivalent of only $338 million. A few new share and bond issues are enough to dry up the funds available for stock market investment. A number of big companies have increased their capital in the last few years and the government's recent highly successful issues of investment bonds or "cedulas para la inversion" have not helped. Under the circumstances, industry has continued to look more to the banks than to public issues for finance.

Tax considerations have played a part in keeping the flow of funds into the market modest. Tax evasion has always been widely practised in Spain. But curiously not in the case of capital gains or interest from securities: these earnings are automatically reported to the authorities. New tax reforms will now tighten up tax collection in other fields as well. But for the moment, most people still prefer to put their money into real estate and other ventures that cannot be easily checked by the Ministry of Finance.

Nonetheless the lack of interest in the stock exchange is due largely to doubts about the earnings prospects of Spanish companies. Despite rapid increases in total production, profits have fallen in many industries. This is mainly due to two factors. One is much keener competition, both foreign and domestic, for which many Spanish firms—after the easy profits possible in the autarkic days—have proved totally unprepared. The second is the sharp rises in wages that have been pushed through by the official labour syndicates. The OECD would put more weight on still other factors: the fillip to prices (and costs) touched off by the authorities' protectionist agricultural policy and ambitious building schemes.

There are undoubtedly also misgivings about the course of Spain's economic development in the long run. The major worrying points are a deteriorating trade balance, inflation and a depressed agricultural sector. The OECD takes a reasonably optimistic view of Spain's chances of coping with all this. But foreign investors' nerves are not quite so good.

SPAIN'S PERVERSE MARKET



Whitbread and Company Limited

COLONEL W. H. WHITBREAD REPORTS

The Annual General Meeting of Whitbread and Company Limited will be held on September 3, 1965, at the Brewery, Chiswell Street, London, EC1.

The following is the statement by the Chairman and Managing Director, Colonel W. H. Whitbread, which has been circulated with the report and accounts for the 15 month period to March 31, 1965:

In my previous statements I have drawn to your attention the inconveniences of ending our year on December 31st. At that date we have paid the duty for the months of November and December, the highest of the year, and have just completed the peak season of our trade at Christmas and the New Year without repayment for our sales by customers. Matters are made worse by the heavy duty on wines and spirits now that this part of our business has become such a substantial part of our turnover. The result is that the cash position on December 31st is at its worst throughout the year, which leads to distortion of the Balance Sheet and of the Profit and Loss Account. This year we are ending our accounts on March 31st.

One advantage in changing the date is that the accountancy staff will be working to produce the year's figures in the Spring instead of during the worst months for sickness, and our half year's figures in October instead of during the holiday season. Also, as a result of the changed date the provision for taxation has been reduced by the amount over-provided in previous years, which is explained in the notes on the accounts.

The disadvantage this year is that the printed accounts show a 15 months period compared to 12 months but I will do my best to give comparable figures. Comparability is also bedevilled by the merger in August, 1964, with Dutton's Blackburn Brewery.

The results this year are rather better than I expected, as for the 15 months we have made £9,592,000 before tax against an estimated 15 months to March 31, 1964, both including 12 months' Duttons' profits, of £8,492,000. This shows that the profit before tax is up by 13 per cent. The net profit available to the Ordinary shareholders is £5,522,000 compared with the previous 15 months of £4,090,000. These net profits are improved by the windfall of tax for this period only, but in a normal tax period we should still have increased profits after tax by 10 per cent.

In the circumstances, your Board have decided to pay a final dividend of 9 per cent making 20 per cent for the 15 months, against a normal 16 per cent for 12 months, which means that they are not increasing or decreasing their distribution. The Board made this decision as, on studying the Finance Bill, they are unable to calculate what their tax is likely to be as the rate of Corporation Tax has not yet been decided.

The Consolidated Balance Sheet shows an overdraft of £2,221,000 but there is cash available in current investments, loans and balances at Bank amounting to £5,600,000, leaving a net balance of cash of £3,400,000. Since the end of the financial period we have raised another £5 million Debentures, which I will refer to later.

TAXATION

The period on which I am reporting has been rather unusual as it included two Budgets and a third Budget was introduced immediately after the end of the period. We have suffered badly from all three of these Budgets.

In July, 1961, the Regulator of 10 per cent was imposed on our industry as a temporary expedient, which for political and economic reasons the next Chancellor made permanent in his Budget in 1962. In April, 1964 another 1d. was put on a pint of beer and in November, 1964 we suffered more anxiety as to the future with veiled but substantial threats of Corporation and Capital Gains Taxes. As we were unable to foresee at all clearly what was going to happen we decided at that time to postpone a large part of our capital expenditure, which was not yet fully committed, until we had seen the Finance Bill due in April, 1965.

The third Budget put another 1d. on the pint and also added substantial duty to wines and spirits, which means that since April, 1961, there has been an increase of 40 per cent in dut yon beer and 38 per cent on a bottle of whisky. Besides these imposts the 1965 Budget bewildered us, as it did also our expert tax advisers and I believe most of those concerned in industry.

We have sympathy with all those in and outside the House of Commons who have spent many days and nights trying to unravel the 1965 Finance Bill and the Chancellor has shown wisdom in accepting so many amendments.

When the present Government came into power many of us hoped that an effort would be made to simplify taxation but, as so often happens over taxation, we have been disappointed. As a result, many people in industry have spent a great deal of their time trying to understand the implications of the Finance Bill to the detriment of running their businesses and instead of directing their energies to the development of trade at home and overseas.

COST OF BEER

It is a great disappointment to me and many others in my industry that, in spite of our efforts to hold the price of beer by technical developments, the Chancellors of two Governments have raised the price of beer twice in a year by adding to the duty and, incidentally, thereby raising the cost of living. The majority of the taxes which keep the welfare state, the defence programme and the nationalised industries, and indeed pay the salaries of Cabinet Ministers and Members of Parliament, depend on the prosperity of private industry. If the profits of private industry are substantially reduced the tax income of the Treasury will also be substantially reduced.

For political reasons the Government decided to over-emphasise their financial difficulties. The result of this has been nearly disastrous, as besides our other problems, we are now trying to develop our business in a climate of an artificial credit squeeze which is most frustrating.

I cannot understand what Ministers are trying to achieve by continually attacking management in private enterprise. These attacks fail to stimulate and only infuriate.

DEBENTURES

After the publication of the recent Finance Bill your Board took the view that, owing to the credit squeeze, it might become increasingly difficult in future to borrow the money they needed to build production plant, rebuild their public houses and expand their trade. In June, 1964 we issued £6 million 6¼ per cent Debentures 1987/92 at 96½ per cent, and as we found that most of this was already committed we decided in May, in spite of the financial conditions at the time, to make an issue of a further £5 million 7 per cent Debentures 1988/93 at 99 per cent.

DUTTON'S BLACKBURN BREWERY

For many years your Company has had a substantial interest in the equity of Dutton's Blackburn Brewery. Last summer, when looking into the reorganisation of our bottling and brewing in the north-west area, it became clear to the Board of Dutton's and your Board that Dutton's had surplus brewing and bottling capacity, which was needed by Whitbread's and could be used to the benefit of both Companies. With the help of Kleinwort Benson, acting for Dutton's, and Baring's, acting for Whitbread's, a scheme for merging the two Companies was arranged and agreed to.

Since the merger the joint Boards have been working together happily planning the integration of production, distribution and sales and Dutton's have retained their excellent name and happy relationship with their tenants.

ARCHIBALD CAMPBELL, HOPE & KING

During the year we were able to expand our activities in Scotland. The Directors of Archibald Campbell, Hope & King invited us to make a trading agreement and financial investment in their Company. This was negotiated successfully and happily and Mr H. C. Whitbread was invited to join their Board. We have always had a good business in Scotland and this arrangement gives us the opportunity to support and develop our trade in the north.

PROGRESS OF THE COMPANY

I should like to draw your attention to the rather unusual progress of your Company during the last seven years. The larger units in the industry seem to have come together through mergers of the great brewery companies. In the case of your Company it has been a gradual collection of medium sized breweries under Whitbread's as a parent company. Although this came about in a somewhat odd way, through friends getting together, it has been the intention of your board to stabilise and stimulate our large free trade all over the country which has been fostered by your Company over very many years.

The progress of the Company is shown in the table below.

CAPITAL COMMITMENTS

I have referred to future capital commitments. These consist of a new bottling factory on a

site near Luton and a mineral water factory near Gloucester, both of which will be completed this year; also a bottling factory at Tiverton, which will be completed in 1966. We have reconstructed part of Nimmo's Brewery to take in the output of Flowers Brewery of Sunderland. There is also a fairly large commitment for reorganisation in the north-west after the merger with Dutton's.

Other major commitments are the rebuilding of Flowers Brewery at Luton, on the site next door to our new bottling store, which I hope will be completed in 1967. We are also, in partnership with Heinekens and the Rembrandt Group, building a brewery in Johannesburg, South Africa, which I hope will be operating in the Spring of 1966.

In addition, of course, we have the building, rebuilding and major alterations to public houses throughout the Group. During the last seven years the Group has spent nearly £3 million on new and rebuilt houses and over £1½ million in major reconstruction.

Although one had hoped that this rate of expenditure would become less as we got on terms with the work which we were not allowed to carry out during the 15 years after the beginning of the last war, it would appear that owing to constant change in population and social habits and the building of new towns, etc., there is little hope of reducing this expenditure during the next few years.

TRADE

The period over which I am reporting was a comparatively good one for weather and it was the first reasonably good summer since 1959. The general production of beer throughout the country was up by 3.6 per cent. The sales of your Group showed a good increase on the national average, chiefly through our success in the free trade.

Draught beer did slightly better than bottled beer owing to the success of Tankard and Flowers Keg bitter. Whitbread and Mackeson, our two main bottled beers, have continued to make progress, in spite of the fact that two increases of duty have meant two increases of price.

After the wonderful summer in 1959, some people seemed to assume that the climate of this country had changed for the better and many thought that lager would suddenly become a substantial proportion of the beer sold in this country. I think at that time some good judges in the trade thought that in five years at least 10 per cent of the beer drunk in this country would be lager. We never thought it would increase as quickly as that but in order to ensure that we had our share of the market, we made an agreement with Heinekens, the famous Dutch brewers. In fact, lager is still under 3 per cent of the total trade of beer in this country.

Our success in the free trade gives me a welcome opportunity to pay a special tribute to our salesmen who, although they have the benefit of high quality articles to sell, are up against very keen competition with the large groups and also with the continued improvement in quality of the local brews. Just as in sport it is the will to win which brings home the cups, so it is the salesman's determination to succeed which will bring in the trade.

WINES AND SPIRITS

During the progress of the Re-sale Price Maintenance Bill under the previous Government, I pointed out the danger of a collapse in the price structure of wines and spirits and the entry of the supermarkets into the licensed trade. As a result of the decision of the Distillers Company to withdraw their application for exemption from the provisions of the Re-sale Price Maintenance Bill, the industry, and especially ourselves, who have a large number of off-licences, have been through a very rough time since last February, and the prospect of a cut-price battle over spirits during the Christmas period is not a very happy situation to look forward to either socially or commercially.

However, some good usually comes out of bad and the result of this affair is that we have been able to sell our own lines in whisky and gin in increasing quantities and will eventually, if this continues, gain a very reasonable share of the market. The success of the sales of Wiley's Black Label whisky, which indeed is of particularly good quality, and Squires Gin, in the opinion of some good judges the best gin on the market, has increased enormously to the benefit of your Company.

Many years ago I pointed out that drastic price cutting for advertising purposes was socially evil, for it is well known that if it spreads throughout an industry as a whole, that industry is unable to pay its staff and employees properly and also is unable to produce quality articles. Before the First World War the brewers sold much more beer than now, but at a price structure which did not allow them always to produce real quality or to pay their work people on a scale comparable with other industries.

Since the end of the period we have purchased the whole of the equity of The Wine Cellars Limited, a company which owns 33 off-licences around London. This will be in addition to our already extensive wines and spirits businesses of Stowells of Chelsea and Threshers.

RATIONALISATION

You will remember that in 1962 we merged with Norman & Pring and Starkey, Knight & Ford. During the past year we have merged the interests of these two companies, who operate in the same area of Devon and Somerset, and indeed their houses, breweries and depots are all intermingled.

Mr Herman Pring and Mr Geoffrey Pring have retired. Mr A. D. Dawkins has joined the management and we now have a first-class team running this combined Board.

During the period we have closed Flowers Northern) Brewery at Sunderland and improved and enlarged Nimmo's Brewery at Castle Eden to take this trade. The redundancy problem at Sunderland was dealt with by turning the brewery into a box factory and giving generous terms of compensation to those we were unable to move to Castle Eden or retain in the box factory.

BELGIUM

Our Belgian trade continues to expand although not at the same rate as during the last few years. This year there was an extra tax levied by the Belgian Government on beer imported into Belgium, a general rise in the price of all beers in Belgium, and competition from other importers, including Germany, has intensified.

During the year we opened a new bottling factory at Mechelen, which has relieved some of our production problems.

The Belgian Government were not very pleased at the surcharge put on imports into this country last November and I hope that, if and when the surcharge is removed, we shall be looked upon more favourably by the Belgian Government. Incidentally, before the surcharge was imposed, the Prime Minister of Belgium paid me the honour of appointing me an Officer of the Ordre de la Couronne in recognition of our efforts in Belgium.

EXPORT

We have continued to press on with our interests in export, both by endeavouring to exploit our foothold in the most promising markets in the many countries to which we now send beer and by investing in breweries overseas. The latter policy is now disapproved of by the Government.

SEVEN YEARS OF PROGRESS

	1958	1959	1960	1961	1962	1963	March, 1965 15 months
	£	£	£				£
Profit on trading.	3,292,382	3,090,848	3,662,031	4,915,322	7,886,672	9,801,675	12,966,274
Profit before tax.	2,789,658	2,594,629	2,861,341	4,070,884	5,916,489	7,329,278	9,591,930
Taxation	1,432,732	1,217,812	1,364,903	1,945,716	2,669,607	3,302,008	3,739,003
Net Profit.	1,356,926	1,376,817	1,496,438	2,125,168	3,246,882	4,027,270	5,852,927
Ordinary Dividends (net).....	692,046	705,875	762,345	972,830	1,547,166	2,041,175	2,687,541
Ploughed back, including windfalls.	634,389	647,353	704,486	1,018,747	1,366,197	1,676,882	2,834,789
Turnover.	27,600,000	27,500,000	29,800,000	38,700,000	65,700,000	70,500,000	100,900,000

Support was given to Board of Trade promotions in Barcelona, Dusseldorf, Copenhagen and Amsterdam by exhibiting the prefabricated public house, the Britannia Inn. In each place we have had nearly all our beers on sale and it is interesting to see how different countries have favoured different products. Judging by the number of people who have visited the Britannia Inn all these exhibitions have been a success. Now we are endeavouring to develop the initial impact. We hope the Board of Trade will continue to give us support in exhibiting the Britannia Inn in foreign parts, which is incidentally quite an expensive undertaking.

MINERAL WATERS

After the recent mergers we have found that we own a complicated network of mineral water factories and we are in the process of rationalising these. We have already transferred Brearley's factory at Stratford to a bottling factory combined with West Country Breweries outside Gloucester, which we are now re-equipping.

We have also bought the equity of the Coca Cola Bottling Company (Oxford) Limited, which holds the franchise for the bottling and marketing of Coca-Cola and Fanta in a territory which includes eight counties in the centre of England.

RESEARCH AND CONTROL

Owing to mergers and the reorganisation of our production and the building of new breweries, we have reorganised our research department and besides reconstituting our central research laboratory we are equipping or building control laboratories either in the breweries or in a position to serve easily each group of production factories. We have also during the last two years sent teams of executives far afield overseas to study technical problems and know-how and the latest methods of handling and distribution. Since November I myself have travelled over 50,000 miles, not only in an endeavour to promote exports but to study production, especially in view of the building of new plants.

PRODUCTIVITY

By taking the number of staff and employees and comparing these figures with Group sales we have some idea of the increase in productivity during the last few years. From 1960 to 1964 this has increased by 25 per cent, and to show how the momentum has been increased, 19 per cent of this improvement was achieved during the years 1963 and 1964. In the process of rationalisation after the mergers we have tried to deal with manpower through natural wastage, but where this has not been possible we have had to deal with redundancy on specially generous terms, which I am sure is the wish of the shareholders.

STOCK EXCHANGE

During the year the Stock Exchange Council asked for certain information from companies, and indicated that an application for a quotation in the future might be refused if the information was not given. As a shareholder in many undertakings, I agree with the Stock Exchange that certain information should be given but only provided it does not result in distortion of the facts. To give out quarterly statements in our particular trade, which has peaks on the occasions of movable Christian feasts, would be of little use, in fact might be very misleading. On looking through the requirements of the Stock Exchange I see that during the last few years I have given practically all the information they require. However, certain of the information required might be useful to our competitors, which I am sure would not be in the interests of our shareholders to disclose.

OFFICES

Non-productive expenditure is not a very popular pursuit during a credit squeeze but before the squeeze started we were committed to building new offices at Cheltenham and Stratford. In the case of the former we were compelled to do so owing to the redevelopment of the site and in the latter case the conditions for the staff were much below standard.

THE BOARD

With the ever increasing responsibilities of the Board in this expanding Group, I am always endeavouring to build up an efficient team with experience, technical know-how and leadership. So during the year we appointed three Assistant Directors: Mr W. C. Lasman, who is one of the most experienced brewers in the country; Mr A. H. Glenny, who is not only well known and respected in this country but also in most overseas breweries; and Mr H. A. Hope, who is particularly experienced in the management of staff and employees. These three men cannot help being a valuable addition to the management of the Group.

STAFF AND EMPLOYEES

Shareholders will be aware that the success of a Group of Companies such as ours depends very largely on the quality, intelligence and hard work of all those employed in every part of the Whitbread family of companies in their different capacities. So that the results of this period will be looked upon from their point of view as particularly satisfactory. As the Group grows larger the problem of personal contact becomes greater, but by maintaining the natural formations of the original companies we try also to maintain personal contact between management and everyone else in the Company, and to this I attach the greatest importance.

It is the intention of my Board and myself to meet as many of those who work in the Company as often as possible, and this includes the tenants and managers of our houses. We all look forward to working together to increase the success and quality of the Group.

THE FUTURE

Management and staff are in good heart, keen and skilled, rationalisation continues steadily and there is definitely achievement in trading. There is, and always will be, much to improve and new ideas to examine and develop.

The prospects of the Company, if we were in normal times, are good but we have a cloud of uncertainty hanging over us—a political idea that to make profits is evil.

While this idea survives, none of us in private industry can feel particularly happy about the future.

NATIONAL MORTGAGE BANK OF GREECE

BANQUE NATIONALE DE CREDIT FONCIER DE GRECE

40, Venizelou Street, Athens, Greece

Established 1927

Governor CHARLES C. ARLIOTIS
Sub-Governor ELIAS D. KRIMPAS

GENERAL BALANCE SHEET AS AT 31st DECEMBER 1964

LIABILITIES

Share Capital		Drs 58,400,000
Reserves		" 55,330,000
Retentions and Provisions		" 45,561,867.95
Deposits		" 325,714,005.80
Financing Accounts		" 1,491,886,196.60
Outstanding Mortgage Bonds		" 140,229,600
Greek State Loans		" 226,221,860.45
Dollar Liabilities		" 1,343,147,310.30
Third Parties Loan Accounts		" 163,490,143.25
Sundry Accounts		" 10,842,712.45
Dividend for the Year 1964		" 4,640,000
Contingencies	Drs 108,802,320.20	
Total		Drs. 3,865,466,696.80

ASSETS

Cash in Hand and at Banks			Drs 100,810,027.15
Securities			" 19,105,276.70
Mortgage Bonds Owned by the Bank			" 55,498,937.35
Loans	Housing Loans Branch	Industry and Public Utility Loans Branch	
Out of own and other funds	1,098,717,756.60	517,347,304.55	" 1,616,065,061.15
Out of Sterling Bond Funds	1,791,004.65	99,493,137.85	" 101,284,142.50
Loans Financed by and for Account of the Greek State	59,229,983.45	158,784,107.40	" 218,014,090.85
Out of American Aid Funds	-	1,343,147,310.30	" 1,343,147,310.30
Out and for account of third parties funds	30,715,184.45	132,774,958.80	" 163,490,143.25
	1,190,453,929.15	2,251,546,818.90	
Sundry Accounts			" 116,248,797.70
Bank premises and Real Estate			" 15,671,687.55
Fixtures and Fittings			" 1.-
Difference arising from Settlement of the Bank's Sterling Mortgage Loans in accordance with Article 12 of Legislative Decree 3393/1955			" 116,131,221.30
Contingencies		Drs. 108,802,320.20	
Total			Drs. 3,865,466,696.80

WAAGNER-BIRO

WIEN AKTIENGESELLSCHAFT GRAZ

(Engineering)

The sixty-third Annual General Meeting of WAAGNER-BIRO AG was held in Vienna on July 21st, DDr Ockermüller presiding, and the following are details of the report presented by the Board of Directors:

Progress was again satisfactory during the year under review. WAAGNER-BIRO was fully employed, indeed, overemployed at times, in 1964. Whilst turnover showed a further increase, the volume of production remained more or less the same; productivity was improved by rationalising production and adding to, as well as modernising, plant and machinery. The intake of orders was larger than in the previous year, even though the high figures of 1962 could not be equalled, and utilisation of capacity remains assured.

The Company's policy, having regard to the many economic and political factors making for uncertainty in a number of foreign markets, aims at stepping up business activity at home without, however, neglecting its foreign business which has become, if at all, even more difficult, partly as a result of intensified foreign competition. In the large-scale industrial business, both our neighbours in the East and the developing countries are clearly tending to an increasing extent to acquire complete plants, and this trend has resulted in the Company's previous marketing policy having to be adjusted accordingly. An additional difficulty in this connection is the steady rise in Austrian labour costs which can only be partly offset by an increase in productivity.

The balance sheet at December 31, 1964, was somewhat narrower in scope owing to several large orders, which had taken some considerable time to complete, being finally invoiced. The balance sheet total once again passed the S1,000m. mark, amounting as it did to S1,010m. Fixed assets totalled S165m. on December 31, 1964, and showed a slight fall as a result of investments of app. S23m and depreciation of S25m.

Current assets fell from S950m. in 1963 to S843m. last year, following the invoicing of several large orders. This also resulted in semi-finished goods on one side of the balance sheet dropping by S230m., and advance payments from customers falling correspondingly by S138m. on the other side. Accounts receivable, on the other hand, showed a rise of more than S156m.

There was no change in the total of the Company's own resources of S226m. as against 1963.

The profit and loss account does not show any appreciable changes, either. Wages increases on the one hand are balanced by a fall in the total of workers and employees, so that total expenditure on wages and salaries remained more or less the same.

The year's profit of S9.4m. is larger than that for 1963 and enables the Company to distribute a dividend of 9 per cent on the share capital of S100m.

BALANCE SHEET AT DECEMBER 31, 1964

(Abridged)

LIABILITIES	AS	AS
I. Share Capital		100,000,000.
II. Statutory and Free Reserve		117,100,000
III Staff Indemnity Reserve		22,370,000
IV. Contingency Reserves		76,081,622.53
V. Current Liabilities		
1. Advance Payments from Customers	350,551,381.31	
2. Creditors (Trade)	66,077,519.25	
3. Bills of Exchange	5,501,428.—	
4. Export Promotion Credits	14,500,000.—	
5. Export Credits (Banks)	128,156,000.—	
6. LRP and SAC Reconstruction Credits	12,744,026.—	
7. Sundry Bank Credits	74,105,509.10	
8. Sundry Liabilities	32,934,693.03	
		684,570,556.69
VI. Profit Balance brought forward to 1.1.1964	76,285.94	
Profit in 1964	9,442,139.06	
		9,518,425.—
		1,009,640,604.22

ASSETS	AS	AS
I. Fixed Assets		
1. Material Assets	148,559,425.47	
2. Participations	16,481,527.30	
		165,040,952.77
II Current Assets		
1. Stocks	439,523,981.78	
2. Securities	6,764,365.—	
3. Advance Payments Made	26,215,351.54	
4 Accounts Receivable	359,181,710.03	
5. Cash in Hand, Cheques and Bank Ba	6,120,873.20	
6 Sundry Debtors	5,644,429.06	
		843,450,710.61
III Transitory Items		1,148,940.84
		1,009,640,604.22

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1964

(Abridged)

EXPENDITURE		AS
1. Personnel		274,072,114.71
2. Depreciation on Fixed Assets		24,625,801.57
3. Interest		11,556,666.04
4. Taxes on Income, Earnings and Capital		28,469,595.51
5. Contributions to Statutory Trade Association		675,457.86
6. Extraordinary Expenditure		989,944.46
7. Appropriation to Staff Indemnity Reserve		2,275,000.—
8 Profit Balance brought forward to 1.1.1964	76,285.94	
Profit in 1964	9,442,139.06	
		9,518,425.—
		352,183,005.15

INCOME	AS
1. Profit Balance brought forward	76,285.94
2. Revenue for the Year according to Section 132, II, 1, Austrian Companies Act	350,893,078.99
3. Receipts from Participations	371,150.15
4. Extraordinary Revenue	842,490.07
	352,183,005.15

ALITALIA AIRLINES

ROME—Capital Stock 30,000,000,000 Lire (entirely paid in)

GENERAL SHAREHOLDERS MEETING

REPORT ON THE 1964 BALANCE SHEET

On June 30, 1965, at the Head Office in Viale Maresciallo Pilsudski 92, Rome, the Alitalia Ordinary Shareholders Assembly was held under the chairmanship of **Dr Nicolò Carandini.**

The Assembly unanimously voted to approve the balance sheet to December 31, 1964, which closed with L.271,980,315 gross profit, and, after having placed L.13,599,018 in reserve, to allocate a 5 per cent dividend to Category "B" shares (preferred).

The report made to the shareholders shows, first of all, that the worldwide air transport industry increased approximately 17 per cent in comparison to the annual average of the last decade. Alitalia shares in this industry-wide trend, registering a 16.9 per cent increase in passenger/kms.

The results of the Company's balance sheet would thus have been extremely positive if market trends and the effort made by Alitalia in absorbing its growth potential had not been in part neutralised by a series of intermittent strikes which immobilised the Company's fleet for a total of 11 days at the height of the tourist season. The damage caused by this repeated interruption of service on a world-wide network, where the advancement of the Company is subject to the strongest competition, should be correlated not only to the large volume of traffic and revenue particular to the summer season, but also to the descending curve which extended throughout the rest of the season.

To this emergency and the adverse influences of the growing spiral of costs, the recent reduction in international rates, the exceptional expenses for training of our cabin personnel, and finally, the deficit produced on our national routes, the Company reacted with every means, adopting measures which permitted it to reach a satisfactory rate of growth and to maintain a substantial economic balance as shown in the balance sheet.

Under these particularly unfavourable conditions the Company proved its solidarity, demonstrating a resistance and dynamism which, notwithstanding the drawbacks, permitted it to increase from total receipts of 92.9 milliard lire in 1963 to a total of 106.2 milliard lire in 1964, a 14.3 per cent increase.

The following table indicates the uninterrupted ascending curve of gross operating revenue from 1958 to 1964:

GROSS OPERATING REVENUE

	Absolute figures (Lit/millions)	Per cent increase
1958	26 138	101 2%
1959	35,033	34 0%
1960	44 481	26 9%
1961	59 275	33 2%
1962	80 877	36 4%
1963	92,925	14 9%
1964	106,247	14 3%

To offset the increase in gross operating revenue in 1964 there was a considerable increase in labour costs, in the field of airport taxes, social contributions for flight personnel and charges for ground service personnel.

THE FLEET

As far as the FLEET is concerned the report shows the progress made in strengthening the fleet, putting another Douglas-DC 8 jet into service on the intercontinental routes and two medium-range Caravelle jets on the European and Mediterranean networks; on the national network two turbo-prop Vickers Viscounts were purchased. On the other hand, two DC-3 propeller aircraft were removed from service. (Two other DC-3 aircraft, the last of this type in Alitalia's property, were removed from service during the first part of 1965, and it is expected that within 1965 all the remaining piston aircraft will be retired from service.)

In addition, during the first part of 1965, in order to conform to the competition and proportion the fleet to foreseeable future traffic necessities, three more American supersonic jets were booked, bringing the total number to six supersonic aircraft.

Therefore, to December 31, 1964, the company fleet comprised the following:

Jet aircraft	34
Turbo-prop aircraft	15
Piston aircraft	9
Total	58

The report then illustrated a comparison of activities performed by Alitalia in 1964, summarised in the following chart:

	1963	1964	% Change 1964 63
Kms flown	59,732,364	68,485,753	+14 6
Flying hours	117,919	132,003	+11 9
Passengers	2,380,305	2,610,168	+ 9 7
Seats utilised	56 0%	55 3%	1 2
Mail carried ton/kms	10,082 305	12,073,468	+19 7
Cargo carried, ton/kms	67 419,123	79,193,157	+17 5
Total ton/kms carried	351,575,150	411,566,691	+17 1
Total load factor	53 2%	52 0%	2 3
Network length to December 31st km	166,707	178,858	+ 7 3

As far as route operations are concerned, the report illustrates that in effecting programmes an attempt was made, first of all, toward modernisation of network structure, progressive expansion on some markets (North America, Far East, Western Africa, Germany) and the refining of service structure, especially those on medium and short range hauls.

On the **Intercontinental network** the new routes inaugurated were Rome-Lisbon-New York, Rome-Athens-Khartoum-Addis Ababa, Rome-Athens-Amman. Services for the United States were intensified, and those for Australia were doubled.

In particular:

(a) On the North Atlantic network there was an improvement in the percentage of cargo space utilised; the all cargo DC-7F was substituted with the more capricious DC-8F which was hired;

(b) on the South American network (Venezuela, Brazil, Uruguay, Argentina, Chile) although the situation is still unstable, results were more satisfactory than in 1963;

(c) the Africa routes improved once again;

(d) the routes to Asia increased considerably both in space available and in space utilised,

(e) the space available for Australia was increased noticeably and was completely absorbed by increase in passengers carried.

The **European network** also registered an increase in space available; however, passengers carried increased in smaller measure, and for this reason total load factor decreased.

The result of this year's activity was therefore considerably inferior to that attained in 1963. The reasons for such occurrence can be easily illustrated: the inauguration of new links with Copenhagen, Stockholm, Düsseldorf, are still in the initial stages; the unfavourable economic and tourist recession now present in Italy.

In order to continue to improve services on our **National network**, the number of seats available was increased 17.5 per cent in comparison to 1963 by means of links between Rome-Naples-Taranto and Rome-Alghero, by intensifying frequency in some areas (Lombardy, Veneto, Puglia) and by employing more capacious aircraft. This effort notwithstanding, traffic did not increase but, in comparison to 1963, actually showed a descending curve in its rate of growth, further complicated by an increase in operating costs.

Because of a commendable initiative of the Post and Telecommunications Ministry, an agreement between the Ministry and ALITALIA was stipulated for the night transport of mail on aircraft used only for this purpose. Begun in the month of October and extended gradually in 1964, this service has flown a total of 508,000 kms. and carried a total of 1,962,000 kgs. of mail.

ASSOCIATED COMPANIES

The report illustrates the activity of the Associated Companies.

S.A.M., which operates with a fleet of 7 Douglas DC-6Bs and two Curtiss C-46s, for charter services, was noticeably affected by the Italian economic recession; revenue was at levels lower than those necessary for efficient operation.

A.T.I., whose head office is in Naples and whose activities are carried on principally in Southern Italy, has had singular success since initiating its services in June, 1964.

SOMALI AIRLINES, inaugurated in March, 1964 by the Government of the Republic of Somalia, head office in Mogadishu, in which ALITALIA has a 50 per cent interest, began activity in the month of July with satisfactory traffic.

ELVIE has been affected by the unfavourable conditions of its limited service as a helicopter link between Naples and the Islands of Capri and Ischia.

SO.GE.ME. has perfected its catering organisation and has increased production in the Company cafeteria for personnel working at Fiumicino Airport.

The project for the constitution of AIR UNION in 1964 was set back in an unforseeable measure since the passage of the initiative from the Companies involved to their respective governments is radically changing the operational set up which the Companies themselves had given to the problem.

The report illustrates the activities performed by the "General Secretariat," the technical and operative sectors and the Commercial, Administrative and personnel sectors.

The activity performed by the Air School at Brindisi sums up the effort made by the company to meet the problem of shortage of pilots, together with the difficulty of hiring foreign national cabin personnel which has caused such setbacks as to seriously consider the possibility of discontinuing or at least suspending the courses in question.

With the hiring of 704 persons to December 31, 1964, the total number of Company employees increased to 8,637.

Finally, the report extended thanks to the Government Financial Agency, the Ministry of Transport, Ministry of Civil Aviation and I.R.I., and all personnel for their collaboration.

PROFIT AND LOSS STATEMENT 1964

Closed with the following results:

Traffic revenue	L.	106,247,397,374	
Revenue from other sources	,,	3,427,523,057	
			L. 109,674,920,431
General Operating Expenses			,, 97,066,515,140
Balance			L. 12,608,405,291
Depreciation			
Land and buildings	L.	166,967,566	
Installations	,,	352,953,309	
Installations and Sales Offices	,,	697,830,696	
Furniture and fixtures	,,	163,712,969	
Vehicles	,,	75,001,725	
	L.	1,456,465,764	
	,,	10,879,959,176	
			L. 12,336,424 940
Net profit			L. 271,980,351
Which will be distributed as follows:			
For reserve, 5 per cent			,, 13,599,018
Balance			L. 258,381,333
5 per cent dividend to Category "B" (preferred) shares			,, 250,000,000
New Balance to be brought forward			L. 8,381,333

The Assembly, as stated previously, proceeded in approving the balance and thus nominating the new Board of Directors and Board of Auditors, for the triennial 1965/67.

Nominated members of the Board of Directors were the following: Dott. Ercole Agosta, Gen. Ing. Elio Albanesi, Avv. Silvano Baresi, Dott. Nicolò Carandini, Gen. Ing. Michele De Cornè, Ing. Paolo Douglas Scotti, On. Ing. Enzo Giacchero, Dott, Franco Giazotto, Gen. Ugo Corrado Musco, Ing. Eugenio Radice Fossati, Dott. Rinaldo Santini, Avv. Antonio Sorrentino, Gen. S. A. Aldo Urbani, Ing. Bruno Velani, Amb. Vittorio Zoppi.

Nominated members of the Board of Auditors were: Prof. Arnaldo Marcantonio—Presidente, Dott. Mario Calamita, Dott. Gaetano Cortesi, Dott. Mario Galimberti, Dott. Vittorio Maroni.

The Board of Directors in a subsequent meeting proceeded in nominating the following:

Chairman—Dott. Nicolò Carandini.

Vice Chairmen—Gen. S. A. Aldo Urbani and On. Ing. Enzo Giacchero.

Managing Director—Ing. Bruno Velani.

The following comprise the Executive Committee:

Chairman: Dott. Nicolò Carandini, Ing. Bruno Velani, Dott. Franco Giazotto, Dott. Ercole Agosta.

Rome, June 30, 1965

IRISH WIRE PRODUCTS LIMITED

INCREASE IN SALES MAINTAINED

The twenty-ninth Annual General Meeting of Irish Wire Products Limited was held on July 27th in Dublin, **Mr John Carew** (Chairman) presiding.

The following are extracts from the statement made by the Chairman in his review of the year's operations:

The Group Profits before Taxation amounted to £63,389 after making provision for administrative and overhead expenses. Your Directors recommend a final dividend of 10 per cent making a total of 15 per cent for the year.

Sales have again maintained their steady increase in comparison with the previous year although they were affected by the Building Strike.

It is interesting to note that the selling prices for all our products are in line with the British prices, and that our present prices are in fact, in general, similar to those of 1959.

When the National Wages Award was agreed on at the beginning of 1964, it was confidently expected that a period of stability would follow for some considerable time. Unfortunately, the reverse has been the case due to strikes, official or otherwise, and in the Building Industry alone over 400,000 man-days were lost in the year following the award.

In order to endeavour to strengthen our position in the future we have over the years constantly sought to achieve greater efficiency by introducing modern methods and concentration on mass production methods. This is reflected in our regular purchasing of new plant and machinery.

ACTIVITIES BROADENED

In addition to striving to produce our traditional lines more economically, we have considered it prudent to broaden our activities, and we have entered into a Stocking and Trading Agreement with the G.K.N. Group. We commenced selling under this heading in July last, and the results are reflected in our increased profits for the year, in spite of the drop in our Sales due to the Building Strike. This activity is as yet only at the formative stage. We anticipate further benefits as it develops.

Your Board are constantly seeking further opportunities to expand our interests, and with this end in view we decided to commence production of wire of the finest sizes in Stainless Steel, Permanickel, Monel, and other materials. We are extending our factory to house this increased production. The building of the new factory has commenced which we expect will be completed before the end of the year. New plant has been purchased and production has started in some of these lines in space temporarily provided in our existing premises.

Next year we hope to inform you of still further diversification which your Board is contemplating. This matter is receiving our earnest attention at the moment.

As you are aware, various inducements of one kind or another have been offered to encourage the development of the Country's industrial activities. It is, therefore, with no little pride that we mention that the funds for our extensions to date have been provided entirely out of the Company's own resources.

The report and accounts were adopted.

SCOTTISH & NEWCASTLE BREWERIES LIMITED

LARGE-SCALE CAPITAL INVESTMENT CONTINUES

MARKED INCREASE IN COSTS DURING 1964

SIR WILLIAM McEWAN YOUNGER ON JUSTIFICATION FOR BOARD'S EXPANSION POLICY

The Annual General Meeting of Scottish & Newcastle Breweries Limited will be held on September 2nd in Edinburgh.

The following is the Statement by the Chairman, Sir William McEwan Younger, Bt, DSO, which has been circulated with the Report and Accounts for the year ended April 30, 1965:

You will see from the Accounts that the profit for the year under review, before tax, but after all charges and interest, amounted to £8,547,635, an increase of £359,287, or approximately 4.4 per cent. The profit for the half-year to October 31st showed an increase on the previous year of £519,768, and the profit for the half-year to April 30th a decrease of £160,481. Profit for the year after tax, at £5,657,635, compared with a figure for the previous year of £4,219,348, but this was due to an abnormally low taxation charge, to which I shall refer later.

The fall in the profit figure for the second part of the year, though not large and generally in line with the experience of other Brewery Companies, was something of a disappointment since sales for the half-year—notably over the Christmas and New Year period—were reasonably satisfactory and there was, in particular, a further very substantial increase in sales of keg beers. I had, indeed, expected that the improvement in sales would have offset rising costs and charges, but that expectation was not fulfilled, and a very careful examination of all costs is in course of being carried out.

PROBLEM OF RISING COSTS

During the year many charges and costs rose steeply. Some of these increased charges were a direct and inevitable result of expansion, and of large-scale capital investment. Thus the Accounts show that Debenture Stock and Secured Loan Interest rose by £359,753, and depreciation of Fixed Assets by £161,892. Such increased charges are, of course, not in themselves a matter for concern provided the investment involved, whether in licensed property or new buildings and plant, for example, yields a proper return on capital invested: though it must be remarked that such return is not always immediate. A much more serious matter was the marked increase during the year in many costs bearing directly on profit margins, in salaries, in Pension Fund contributions, in wages, in National Insurance contributions, in Rates, and in many other things besides. I do not accept the view that all such increased costs are always inevitable, even in the highly inflationary economy of to-day, still less that they cannot often be largely offset by increased efficiency: but to avoid, or minimise, such erosion of profit margins is no easy task, and here I must, I think, observe, in a period of rapid expansion—and the expansion of the Group in recent years has been very rapid—and in a period of changing patterns of trade, it is particularly difficult to build up really effective machinery for cost control, and to ensure that the building up of new Departments to compete with changed circumstances and new opportunities, is not on an excessive scale and is matched by economies elsewhere. Indeed it is not always practicable to do so, since such new developments often call for large and immediate initial expenditure both on capital and on income account.

I can, however, assure you that the Board are fully aware of the necessity for a most careful review of all costs and of continually striving for increased efficiency in all Departments. We fully appreciate that mere expansion of sales has no merit in itself and unless carefully planned and controlled can lead to unprofitable capital expenditure, increased costs, and lower profits.

While I am discussing profits, I might, perhaps, draw your attention to the fact that, as compared with other major Brewery Companies, we at present suffer from two substantial handicaps. In Scotland and North East England, where by far the greater part of our trade lies, not only is the level of prosperity and of purchasing power not as great as elsewhere in England, but in addition, beer prices are generally lower.

Our Wine and Spirit Subsidiary, Maclinday-McPherson Limited, had another very successful year at home and abroad and there can be little doubt that, in the course of a few years, it will make a really substantial contribution to Group profits. In the meantime, and for some two years to come, it must be appreciated that very large expenditure on whisky fillings, and heavy promotional expenditure in important export markets, must limit that contribution.

DIVIDEND AND CORPORATION TAX

I referred at the beginning of my statement to the abnormally low tax charge. This situation has arisen because this year we have to provide for Corporation Tax, but still retain the tax deducted from Dividends and Debenture Stock Interest, instead of, as in the future, handing it over to the Revenue. In these circumstances, and bearing in mind the additional burden of taxation which faces us, the Directors have considered it wise to increase the total ordinary dividend by 1 per cent only, and recommend an unchanged final dividend of 8 per cent, making a total of 14 per cent for the year as compared with 13 per cent last year.

We have considered it desirable to make provision for Corporation Tax at 40 per cent. It seems to us prudent to do so in the light of present circumstances, but I would not like there to be any doubt about my views on such a level of tax. We hear talk of the many Companies who, allegedly, will benefit from Corporation Tax, but if the rate is fixed at 40 per cent they could only be a small minority. In any event, so far as this Group is concerned, Corporation Tax at 40 per cent, coupled with the new taxation provisions as a whole, would, if fully in force, cost us in tax on the basis of this year's figures approximately £350,000 more than Income Tax at 8s. 3d. and Profits Tax at 15 per cent, and approximately £550,000 more than Income Tax at the previous rate of 7s. 9d. and Profits Tax at 15 per cent.

In fact, Corporation Tax apart, there has been imposed on industry a substantially heavier burden of taxation, with increases in National Insurance contributions—which will cost this Group approximately £100,000 in a full year—in fuel tax, and in Vehicle Excise Duty, and, of course, with ever mounting Local Authority expenditure the burden of rates is rising steeply.

It has been claimed that Corporation Tax, as framed, by favouring a high level of retained profits, will thereby stimulate enterprise and modernisation. Such a claim bears little relation to actual experience, and the tax will in fact penalise expanding Companies, like ours, which require to finance a substantial part of their capital investment by new capital: surely a curious way of promoting expansion, modernisation, and enterprise.

THE ACCOUNTS

I now turn to the Accounts. The Consolidated Balance Sheet shows that during the year we have continued with very substantial investment particularly in Licensed Properties. The net increase in Fixed Assets, as you will see, amounted to just over £6 million, of which Licensed Properties including Fittings and Furnishings accounted for just under £4 million. Included in this figure are considerable purchases of individual Licensed Properties, and building of new and reconstruction of existing properties. During the year, in fact, we completed the Tinto Firs Hotel and Lorne Hotel, both in Glasgow, and the Strathclyde Hotel, Corby, together with 14 new Public Houses. We have also carried out 9 schemes of major alterations to Hotels and Public Houses. In the course of the current year there will be under construction 3 new Hotels and 41 new Public Houses, and major alterations to 9 Hotels and 20 Public Houses will be in hand.

Stocks, once again, show a very large increase: the total increase in two years amounting to no less than £5 million. There are, however, certain reservations to be made here. There have been in this period two increases in Excise Duty. Included in the figure for stocks are, for example, kegs, of which we have made very large purchases to meet our rapidly increasing trade in keg beers. And, as I mentioned last year, we have to provide for fillings of whisky well in excess of present sales. Nevertheless, the Directors recognise that the position here is not wholly satisfactory and that a most careful scrutiny is required, more particularly since, as will be seen from the Accounts, and in spite of a placing of £3½ million 6½ per cent Debenture Stock early this year, Bank Overdrafts are somewhat higher than a year ago.

Here I should mention that the Board intends to submit proposals to Stockholders to vary the present limit on Group borrowings which is unduly restrictive and out of line with modern practice. Full details of the proposals will be given in an explanatory memorandum which will be issued with the Notices convening the necessary Meetings.

CURRENT PROSPECTS

Prospects for the current year are very difficult to assess, in view of political and economic uncertainties, and in particular, uncertainty as to what may be the effect on purchasing power of existing and perhaps further deflationary measures. In normal circumstances the outlook could be considered quite good, with sales both in Scotland and in the North East of England showing an increase over last year's figures, and with every reason to anticipate growing prosperity in these parts of the Country. More than that really cannot usefully be said, but I must point out that three out of the last four Budgets have increased Excise Duties on beer, wines and spirits, and express the hope that this will be remembered if further deflationary measures—in particular the so-called regulator—are contemplated. So far as whisky is concerned repeated increases in duty, such as we have recently experienced, are a direct incentive to similar action by Foreign Governments: the more so since Scotch Whisky is now more expensive to buy in Scotland than in many of our most vital export markets. As for Beer, I shall only comment that, in Scotland, apart from price changes to cover increased Excise Duties, we have only increased our beer prices once in the past ten years. Such restraint would appear to have been very poorly rewarded and gives, to put it mildly, little incentive to heed Government appeals to try to keep prices stable.

As I said at the beginning of my remarks, I consider the results for the year something of a disappointment. Nevertheless, we believe that our policies in general, and in particular our programme of expansion in the main in Scotland and North East England, though involving heavy capital investment well beyond what could be financed out of retained profits, have been well conceived. Expansion has, perhaps, at times been somewhat faster than we would have wished, but we consider it necessary to take advantage of new opportunities as they arise, and if the Company's profit record and the growth in earnings on Ordinary Stock is taken over a period of years the results are undeniably satisfactory. I do not doubt that future results will similarly justify the policies which we have pursued and are continuing to pursue.

This has not been an easy year, and many problems also lie ahead, but I would not like to close my remarks without expressing once more the Board's appreciation of the outstanding efforts of our staff at all levels.

LEWIS & PEAT, LIMITED

ANNUAL GENERAL MEETING AUGUST 31st

Extracts from the statement of the chairman, **Mr Harry Kissin.**

Financial Results: Group Profit, before tax, amounts to £805,748 compared with £764,119 for the previous year. A final dividend of 20 per cent is proposed, making 30 per cent for the year against 27½ per cent on smaller issued equity capital for the previous year.

Commodity trading and general merchanting: Our activities in these spheres have continued to expand and the profits earned during the past year have been a record.

Aeropreen Limited: It has taken longer to overcome the initial problems resulting from the erection of a new factory in the North of England, but I am confident that the company will contribute to profits of current and future years in line with our original expectation.

Fenchurch Insurance Holdings Ltd.: This publicly quoted company has passed through a process of consolidation.

Future Prospects: I have great confidence in the strength of the group and its ability to operate profitably in changing conditions. I am most hopeful that the results for the current year will show further progress over the year just ended.

FIVE YEAR RECORD

Year ended March 31st	1961	1962	1963	1964	1965
	£	£	£	£	£
Capital and reserves	861,510	971,049	1,006,323	1,819,272	**1,983,745**
Group profit before taxation ...	231,279	312,709	556,543	761,119	**805,748**
Group profit available for appropriation	103,654	114,508	215,202	328,665	**339,984**
Equity dividends	36,444	47,239	97,387	137,698	**154,172**

Emu

WOOL INDUSTRIES LIMITED

THE SEVENTEENTH ANNUAL GENERAL MEETING of Emu Wool Industries Limited was held in London on August 5th.

The following points are in the Chairman's Statement:—

★ EMU hand knitting wool sales in the current year have continued at a lower level and during the season wool prices fell by 20 per cent, necessitating the write down of stocks by £43,000. This write down was withdrawn from a specific stock reserve created over the past few years to cater for any large fall in wool values.

★ The ACTIVITY, SAMMY and SLIMMA companies, forming the clothing division, have had a year of mixed fortunes. Slimma Limited, specialists in ladies' slacks, skirts and casual wear, had a record year and made an excellent contribution to the group profit.

★ Our overseas trading continues to expand and we shall receive a dividend from our large interest in the spinning and dyeing mills in Australia. The Australian distribution company made a loss in its second season, due largely to heavy advertising development costs.

★ Profits before tax are £102,999 compared with £244,361 in 1964.

★ Your Board recommends a final dividend of 7½ per cent making 10 per cent for the year.

DE WENDEL ET CIE

SOCIÉTÉ ANONYME

PARIS

(Iron and Steel)

FORMATION OF SACILOR

The Annual General Meeting of DE WENDEL ET CIE, S.A. was held in Paris on June 22, 1965 under the Chairmanship of **Comte Emmanuel de Mitry.**

The Meeting approved the accounts for the year 1964 which showed gross profits of Frs. 130,326,264 (compared with 1962: Frs. 149m. and with 1963: Frs. 118m.). The whole of the gross profits were allocated to depreciation of fixed assets. It was proposed to pay a gross dividend of 5 per cent or Frs. 2.50 per share out of the reserves.

The Annual Report of the Board of Directors for 1964 draws attention to the appreciable recovery in iron and steel output and sales in France, after a lengthy period of stagnation, but stresses the "disorderly" price competition in the European Iron and Steel Community and on export markets.

OUTPUT RECOVERS

DE WENDEL ET CIE, played a large part in the recovery in France by raising output:

Of iron ore to 7,154,000 tons,
Of pig iron to 2,540,000 tons,
Of steel to 3,011,000 tons,
including output by SOLLAC.

Deliveries of semi-finished and finished products rose to 2,236,000 tons.

Turnover increased to Frs. 1,801,718,868.

Investments in new work and financial contributions to subsidiaries on the occasion of capital increases, amounted to Frs. 141,220,341. Elements included installations at Hauts Fourneaux de Joeuf and Patural, port facilities on the Moselle, the mill for broad-flanged joists, the modernisation of the iron ore mines, workers' housing, and in 1964 the formation, together with SIDELOR, of SACILOR Société des Aciéries de Lorraine.

NEW WORKS

This Company was to build a new group of facilities in the valley of the Orne including an oxygen steel works, a blooming installation, a semi-finished products line, a merchant-bar rolling mill. Construction began in 1964.

The operations of the principal subsidiaries of DE WENDEL, and notably of SOLLAC (Société Lorraine de Laminage Continu) were satisfactory; in particular output rose still further.

The Report, the Accounts, and the proposals put forward by the Board of Directors were approved.

WESTON-EVANS (HOLDINGS)

(Manufacturers of Paper Making, Textile Finishing and Laundry Machinery also Mechanical Handling Equipment)

A RECORD YEAR

The ninth Annual General Meeting of Weston-Evans (Holdings) Limited was held on August 5th in London, **Mr Fred Crosland, FCA** (the chairman), presiding.

The following is an extract from his circulated statement:

As indicated by the preliminary announcement of March 26, 1965, the group profits are a record at £251,922, comparing with last year's figure of £184,927. The taxation charge of £137,205 leaves a surplus of £114,717 against £91,564 for 1964. Although for the first time the shares issued in connection with the acquisition of F. E. Callow (Engineers) Ltd. rank for dividend, the directors are pleased to be able to recommend a final dividend of 20 per cent less tax, making a total distribution for the year of 30 per cent, compared with 27½ per cent for the previous year.

The year has seen an increased demand for all our products and the larger bank overdraft reflects this situation. The principal difficulty in meeting requirements has been shortage of labour which is acute in every industry in the areas where we are established, and elsewhere.

Last year the Chairman reported further improvement in the results of our American activities; I am pleased to say that this state of affairs has continued, resulting in a record profit.

Thomas Bradford & Co. Ltd. was primarily acquired for its labour and plant resources, which were urgently needed to meet the volume of orders in our other divisions. There has been considerable progress during the year in making available for the laundry industry attractive machines of modern design. The time has arrived when we should benefit from the necessary "spade work" and can expect a profit contribution commensurate with the capital employed.

The expansion potential of F. E. Callow (Engineers) Ltd. referred to in last year's Statement is evidenced by the year's record turnover and prospects. This profitable expansion has in a large measure been made possible through the facilities provided by the group.

In addition to our American activities, we are engaged in supplying markets all over the world. Special effort has been made during the year to trade with the Soviet and associated countries.

The year has seen the creation of a Research and Development Department from which much benefit has already been derived. The management expect many more advantages in the near future.

All divisions have full order books, but due to the nature of our operations, they are limited to approximately three months full production. It is therefore not possible to forecast with certainty for a whole year ahead. However, having regard to the present orders on hand, the enquiries receiving attention, and the improved potential because of our more diversified engineering products, but bearing in mind that the American subsidiary may face some fall in activity, I can look forward to the profits of the year under review being maintained in the current financial year.

Speaking generally and within the limits imposed, it would appear that the Board's established policy of retention and distribution will not be materially affected by the Finance Bill.

The report and accounts were adopted.

COX AND WYMAN LIMITED

The sixth Annual General Meeting of Cox and Wyman Limited was held on August 5th, in London, **Sir Christopher Bullock, KCB, CBE** (the chairman), presiding.

The following are extracts from his circulated statement:

The Accounts shew a record profit of £152,627 before Debenture Interest and Taxation as against £136,188 last year—an increase of £16,439. The total dividend for 1964-65 is again 11 per cent, but is payable on a larger capital.

The number of volumes produced at Reading and Fakenham broke last year's record by a substantial margin. As in 1963-64, the increase was mainly in paper-backs, but case-bound books again shewed a rise. We have spent very large sums in recent years on modernising, and adding to, our plant, and we intend to continue the process year by year within the limits of available finance.

The provision of additional printing plant is an expensive process which takes time. Nevertheless, we hope to see steady growth over the years; and I find no reason to modify my confidence in the longer-term prospects for the Company. Our chief problem remains rising costs, and not least wage costs.

As to prospects for 1965-66, sales for the first two months of the year have been more than maintained, our Order Books are again in a very healthy condition, and the Works look like being fully employed for some months to come.

The report was adopted.

ASSOCIATED BRITISH PICTURE CORPORATION

The thirty-eighth annual general meeting of Associated British Picture Corporation Limited was held on August 6th in London.

In his statement circulated with the report and accounts, Sir Philip Warter (the chairman) said that the Group Profit before Taxation amounted to £5,187,000 as compared with £5,222,000. He added: It has been possible to achieve this excellent result despite the inevitable fall in A.B.C. Television Limited's profit resulting from the new levy on advertisement revenue because of the improvement in the cinema results and the better trading figures achieved by film production and distribution.

In a detailed review of the Group's activities, Sir Philip said that the current year would see much activity by Associated British Cinemas Limited and he hoped to see the better trend in cinema business maintained.

The Chairman then referred to the improved results from Film Production and Distribution and continued: In terms of advertisement revenue and output of programmes for the network A.B.C. Television has had a good year. Gross Advertisement revenue, less agency commission, reached the record figure of £9,911,000. Out of this revenue £2,001,000 (covering an 8 months' period) was provided for the new levy on advertising receipts under the requirements of the Television Act, 1964. In the current year it is estimated that A.B.C. Television's payment in levy may reach £3,000,000 and some reduction in profit must be expected.

The report was adopted and the 30 per cent dividend (same) approved.

CENTROVINCIAL ESTATES

The Annual General Meeting of Centrovincial Estates Limited was held on August 5th in London. The following are extracts from the circulated Report of the Chairman and Joint Managing Director, **Mr J. Gold, ARICS, AAI:**

PROFITS AND DIVIDEND: The net profit for the year ended March 25, 1965, after taxation, at £121,375 compares with £93,020 for the previous year. The Directors recommend a dividend of 1s. per share, less tax, on the capital of £817,440, as against 10½d. per share paid for the previous year on the smaller capital of £640,000, and with the usual reservations as to unforeseen circumstances the Board expects at least to maintain the same dividend on the capital as increased below, in respect of the years 1966 and 1967. This allows for the first impact of corporation tax in 1966/67, even at a rate of 40 per cent.

SHARE OPTIONS: The Yorkshire Insurance Co. Ltd., and Barclays Bank Pension Trust Fund have exercised options on March 31, 1965, to convert £200,000 of their 6½ per cent First Mortgage Debenture Stock 1991 in the Company into 240,000 new Ordinary Shares of 4s. each at the conversion price of 16s. 8d. per share; and pursuant to the Agreement of September 16, 1963, have subscribed on April 1, 1965, for a further 180,000 Ordinary Shares at a price of 20s. 10d. per share.

DEVELOPMENTS: By the acquisition of the Golby-Hale Investment Group shop property investments have been considerably increased. Developments in hand comprise seven major provincial shop centres as well as a number of smaller shopping parades in the South of England and the Midlands. Three new office buildings are being erected at Croydon and Finchley and of the seven new buildings completed six are already let.

CONTINENTAL: Major building operations are being undertaken in Paris, Madrid and Barcelona and good progress has been made in regard to sales.

Our programme over the next five years can be estimated at a figure of approximately £10 million.

Copies of the Report and Accounts are obtainable from the Secretary, Melrose House, Savile Row, London, W.1.

APPOINTMENTS

for further announcements see pages 654 and 655

5th GENERATION COMPUTERS?

We wish to recruit experienced SYSTEMS ANALYSTS and PROGRAMMERS whose thoughts are largely directed towards the future pattern of integrated information systems.

We have a nucleus of a long-term planning section and need to expand it. We also have a second generation, multi-programming computer and a number of applications both operational and under development.

Our long-term plans embody philosophies and devices far beyond the scope of present practicability. If you can see yourself helping to plan and implement a project such as this, please write to me, giving brief details of your career to date.

The Computer Development Manager,
Cerebos Ltd.,
Victoria Road, London, N.W.10.

Nottinghamshire County Council

County Planning Department

PLANNING ASSISTANT required in the Development Plan Section for work concerned mainly with the social and educational provisions in the review of the Plan.

Applicants should hold University Degree in appropriate subject and preferably have experience in a planning office.

Salary within APT Grade 1-III (£745 to £1,430 per annum commencing according to qualifications and experience). 50 per cent. removal expenses paid in approved cases.

Full particulars including names and addresses of two referees to County Director [illegible] by August 21, 1965.

A. R. DAVIS,
Clerk of the County Council.

University of Queensland

The University invites applications for the following [illegible] upon [illegible] date shown. The salary [illegible]

Lecturer, CA$1,400 - 7 x CA100 - CA$1,100

Lecturer in Agricultural Economics (Farm Management)

Applicants should hold a degree in agriculture, agricultural economics or economics, with post-graduate qualifications in farm management, preferably including some field experience. (September 10th.)

The University provides Superannuation similar to F.S.S.U., Housing Assistance, Study Leave and Travel Grants.

Additional information and application forms will be supplied upon request to the Association of Commonwealth Universities, Marlborough House, Pall Mall, London, S.W.1.

University of London

Cassel Readership in Economics at London School of Economics

The Senate invite applications for the Cassel Readership in Economics (with special interest in financial institutions and the working of the capital market) tenable at the London School of Economics and Political Science (salary scale £2,450 by £100 to £3,250 a year plus £80 London Allowance) from October 1, 1965, or as soon as possible thereafter. Applications (10 copies) must be received not later than September 21, 1965, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars may be obtained.

ECONOMIST required to work in East Africa for official corporation on industrial project appraisal. Should have minimum five years' industrial experience including market survey work. One year contract. Free housing and benefits. Write Box 1950, giving details of experience and salary required.

LEADING MANAGEMENT CONSULTING GROUP is seeking a man or woman for their economics and statistics department. Duties will include economic studies and the collection and interpretation of statistics for field surveys covering a wide range of markets at home and abroad.

Applicants should have a university degree preferably in one of the social sciences, and 1-2 years' experience in industry or an agency. The preferred age range will be 22-25.

Please reply with full details to:
J. B. Elkan, Esq.,
P.-E. Consulting Group Ltd.,
12 Grosvenor Place,
London, S.W.1.

New Zealand

University of Canterbury, Christchurch
Lecturer in Accountancy

Applications are invited for the above-mentioned position. Applicants will be expected to possess a university degree preferably with a recognised professional qualification in accountancy in addition, but consideration will be given to applicants with university qualifications only. In special circumstances an applicant with professional qualifications who does not hold a university degree will be considered. Lecturing experience and practical experience in some fields of accounting are desirable qualifications.

[illegible] attached to the [illegible] per annum [illegible] £[illegible],000 per annum. Commencing salary is in accordance with qualifications and experience; the designation "Senior Lecturer" is used to denote members of staff who are above the £2,000 bar.

Approved fares to Christchurch will be allowed for an appointee and his family, together with actual removal expenses within specified limits.

Further particulars and information as to the method of application should be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in New Zealand and London, on *September 30, 1965.*

For further announcements see pages 654 and 655

Industrial Intelligence

An opportunity exists for a methodically-minded, analytical person (man or woman) who has a flair for searching for, noting, recording and indexing essential facts concerning companies and industries in all parts of the world. Age is immaterial but accuracy is essential.

This appointment marks the establishment of a self-contained intelligence division to replace the services currently provided from outside specialist sources and has very considerable growth potential both in responsibility and financial reward.

Please write in detail and in confidence to Box 1948.

Group of International Engineering Companies designing, engineering and constructing plants for the petroleum and chemical industries demands for its office in the Netherlands a qualified, experienced, male or female

TRANSLATOR

German into English and English into German for technical and commercial translations.

Mother tongue German or English.

After probation period definite engagement.

Eventually house available.

Applications with complete curr. vitae, photograph, and indicating wanted salary, will be treated strictly confidential. Write to Mr. G. N. A. Draper, c/o Badger N.V., P.O.B. The Hague, Netherlands.

NORTH WEST ELECTRICITY

PRINCIPAL ASSISTANT (STATISTICS)

AREA COMMERCIAL DEPARTMENT, BOLTON

The duties of the post include load forecasting and the preparation of estimates of purchases and sales of energy; conducting statistical investigations and surveys; advising on tariff application and dealing with consumers' queries arising therefrom; maintaining records of sales and other statistics and preparing analyses and reports with particular reference to market research and other investigations and to prepare trend curves of sales of appliances; ensuring the commercial soundness of capital works involving new business, and generally supervising the administration of the Department.

It is desirable that applicants should hold a suitable qualification in statistics or economics.

Salary Scale: £1,515-£1,790 p.a. (The scale will be increased to £1,555-£1,845 from January 1, 1966.)

If you are interested in this post please apply on forms to be obtained from and returned to the Manager, Bolton Area, North West Electricity, 2 St. George's Road, Bolton, in an envelope marked "Vacancy—Principal Assistant (Statistics)" by August 23, 1965.

GKN

Group Research Laboratory

INFORMATION SERVICE

A vacancy exists in the technical and commercial information unit, which provides a service to the G.K.N. Group of Companies.
The main part of the job is to produce a commercial news review and deal with enquiries.
The position would appeal to a young graduate in Commerce/Economics or a Chartered Librarian with experience in a commercial library.

Please write to the:—
Personnel Officer,
Birmingham New Road,
Lanesfield,
Wolverhampton.

ECONOMICS ASSISTANT

BEA requires an Economics Assistant in its Fleet Planning Branch. This is a small independent Branch reporting to the Chief Executive, responsible for determining BEA's programme of operations, and for prescribing its fleet requirements. The duties will include the economic assessment of future operating plans, and special investigations of economic trends in particular groups or areas.
Applicants should be graduates, preferably in Economics, and/or qualified accountants. Salary range £1,432-£1,717 p.a., rising ultimately to £1,907 p.a.

BEA

Apply to Personnel Officer, Head Office (EC), British European Airways, Bealine House, Ruislip, Middlesex.

SENIOR ECONOMIST/ SENIOR STATISTICIAN

CENTRAL BANK OF IRAQ

Applications are invited from graduates holding Ph. Degree in Statistics or economics for opportunities in the Central Bank of Iraq. The successful applicant will join the Statistics and Research Department and be associated with Economists and Statisticians whose main concern is the preparation of original economic studies with special reference to monetary, fiscal and development problems of Iraq. The statistician will be responsible for statistical compilation and analysis of past trends and the study of current and future trends in association with various economic activities, good knowledge in critical assessment in monetary, banking, fiscal, foreign trade and balance of payments is essential and relevant experience is desirable. Appointments will initially be on a contract basis for one year, with good opportunity for permanent career and good prospects of promotion. The starting salary will fully reflect qualifications and experience. All applications will be treated in confidence. Write, giving full particulars of age, degrees, qualifications and experience, to:

STATISTICS AND RESEARCH DEPARTMENT
CENTRAL BANK OF IRAQ
BAGHDAD—IRAQ.

BANK OFFICERS

GET OUT OF THE RUT!

Career appointments overseas are available to bankers of 20 to 35 years of age. Applicants up to age 25 should be single men and have completed at least Part 1 of the Institute of Bankers' Examination. Marriage is not a bar to older men, but they should have completed (or be in process of completing) Part 2 of the Institute Examination. These are career appointments with excellent prospects. The younger age group commences service in West Africa with emoluments normally in the region of £1,300 p.a. Salaries of older men are higher and will be considered at interview.

- ★ Free furnished quarters overseas.
- ★ First-class non-contributory Pension Scheme and retirement at age 55.
- ★ Eighteen-month tours with 108 days' leave between each tour. £100 kit allowance on appointment. Free medical attention overseas (though our health record is excellent). Free travel.

Interviews arranged in London.
Write, giving full particulars, to: The Secretary,
BANK OF WEST AFRICA LIMITED,
37 Gracechurch Street, London, E.C.3.

University of Exeter

Department of Economics

Applications are invited for the post of Research Officer to work on a study of the Economics of the Pharmaceutical Industry.
The post is available from October 1, 1965.
Salary within the range £850-£1,100 p.a.
Further particulars from the Secretary of the University, Northcote House, The Queen's Drive, Exeter, to whom applications should be sent not later than August 28, 1965

EXPORT/OVERSEAS OPERATIONS

Senior marketing EXECUTIVE, major international group, forty, university economics - trained, multilingual, nine years' overseas experience Europe / South America, interested contact British or U.S. company now recruiting for initial or expanded exports / overseas operations. – Write Box 901, Reynell's, 88-90 Chancery Lane, W.C.2.

CHIEF STATISTICAL PROGRAMMES

Up to $15,100
Post Office Department
OTTAWA

The Position

. . . will provide leadership for statistical studies of various postal operations, such as cost ascertainment, mail distribution, facility planning, auditing and marketing research.

The Man

. . . must possess extensive experience in various techniques of statistical analysis, particularly sampling, as well as post-graduate training in statistics. He must have initiative, a good knowledge of relevant statistical theory and the personal qualities to maintain effective liaison.

Send a résumé of your education and experience immediately to the CIVIL SERVICE COMMISSION OF CANADA, Ottawa 4, referring to file 65-1850.

For further announcements see pages 653 and 655

University of Tasmania

Applications are invited for the following positions:
LECTURER IN LAW. Members of the Law School may undertake a limited amount of private practice under conditions approved by the University Council;
LECTURER IN HISTORY The successful candidate will be required to teach in the general field of Asian History;
LECTURER IN ECONOMICS AND COMMERCE (Business Statistics). A candidate is sought who will participate in the present course in Economic Statistics and develop courses in the field of business statistics and operations research. Preference will be given to candidates who combine specialist knowledge in this field with a background of accounting and economics
The salary scales for Lecturers are Grade II £A2,400—£A100 £A2,700 and Grade I £A2,800 £A100—£A3,300. Appointment will be offered within either grade according to qualifications and experience.
Further particulars and information as to the method of application should be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1
Applications close, in Australia and London, on *September 30, 1965.*

CANADA

ECONOMIC ANALYST

Applications are invited for the position of Economic Analyst now vacant in our Montreal Head Office. This is a most attractive opportunity for a graduate economist to participate in long-range forecasting of general economic conditions and of the economic environment related to company operations and planning.

Candidates should hold an honours degree in economics, have a good knowledge of macro-economics, as well as related statistical methods and a firm background in mathematics. Preference will be given to candidates with at least three years' business experience.

Chemcel (1963) Limited is a major chemical man-made fibre and textile manufacturing concern with sales in 1965 of approximately one hundred million dollars. The company offers excellent conditions of employment, generous relocation assistance to Montreal and a starting salary fully commensurate with qualifications.

Please reply by airmail giving details of education and experience together with personal particulars. Your enquiry will be kept in confidence and will be answered. Interviews for suitable candidates will take place at London offices of The Canadian Immigration Services from September 16 to 20.

Chemcel (1963) Limited
Department A, 1155 Dorchester Blvd W.
Montreal, Quebec, Canada.

cocoa

Outlook

Are you prepared for the unexpected changes in cocoa prices? We have successfully anticipated the major movements in basic commodities. These records have been referred to as outstanding.

You can obtain from us personal, confidential, scientific price forecasts for such major commodities as sugar, cocoa, coffee, animal by-products, hides, paper, metals and some others. You can also obtain forecasts for the United States and foreign economies. For over thirty years corporate and financial executives have made profitable application of these carefully researched reports to evaluate trends and make plans.

Inquiries welcomed. Correspond in any language.

Currently serving a number of the world's largest corporations.

32nd YEAR — WORLD-WIDE SERVICE

INDUSTRIAL COMMODITY CORP.

122 East 42nd Street — New York, N.Y. 10017
Cable Address: ECONOGRAM — Code: ACME

EDUCATION: BUSINESS AND PERSONAL

TOP PEOPLE'S SECRETARIES are well placed generally by Stella Fisher Bureau 8 the Strand

Model Answers for Banking Diploma S A E to Wilk, B Sc Econ, A.I B., 105 Portobello Road, London, W 10.

The Incomtec Management Development Group Sept. 1965—May 1966

Offering men of general management potential the opportunity of studying new ideas in unfamiliar functional areas Ten two-day seminars at monthly intervals in central London. First seminar, "Measurement for Management," September 16th and 17th, by Dr. R. W Revans

Syllabus and Registration Information

from:

Industrial and Commercial Techniques Ltd.,
30 Fleet Street, London, E.C.4.
Tel.: LUD 7757.

Tuition at Home

Hall students passed B.Sc Econ, since 1950 Tuition also for Law, Statistical, Secretarial and other Professional Exams, R S A, etc. Moderate fees, instalments if desired. Prospectus from E. W. Shaw Fletcher, C.B.E., LL.B., Principal, Dept. P.17,
Wolsey Hall, Oxford

SECRETARIAL TRAINING for Women, especially university graduates and older students, 6-month and intensive 14-week courses. -Write Principal, Davies's, 158 Holland Park Avenue, W.11. PARK 4654

COMPUTER PROGRAMMING Train for a well paid post in this expanding field through ICS For details of new home-study courses (inc IBM 1401) write ICS (Dept 424), Portsate Road, London, S.W 11

Home Study Courses
B.Sc. (Econ.) LL.B.

and other external degrees of the University of London. Also Accountancy, Secretarial Law, Costing, Banking, Insurance, Marketing, G.C.E., and many (non-exam) courses in business subjects including the new Stockbrokers and Stockjobbers courses
Write today for details or advice, stating subjects in which interested, to
Metropolitan College
(Dept. G972), St. Albans,
or call at 30 Queen Victoria Street,
London, E.C.4. City 6874.
(Founded 1910.)

The Institute of Cost and Works Accountants

63 Portland Place, London, W 1

December 1965 Examinations

The next examinations (Parts I-V) will be held at the usual Home and Overseas Centres on December 6, 7 and 8, 1965. Applications on Form C (obtainable on receipt of self-addressed gummed label), together with the appropriate fee (now £3 10s per part), should be received at the Institute as soon as possible, and in any case not later than September 10th for Overseas and October 10th for Home candidates. *No late entries will be accepted.*

APPOINTMENT REQUIRED

SENIOR LECTURER IN MANAGEMENT AND MARKETING

Harvard Business School Graduate, 1946, seeks immediate appointment to faculty of university or technical college. Lecturing, consulting and research experience in England and America with international management background London–Cambridge East Anglia area preferred.

CHARLES DARE KELLOGG,
53 Warwick Square, London, S.W.1.

Cambio + Valorenbank Zurich

Phone 47.54.04 — **Telex 52.642**

Tokyo correspondent:

Marusan Securities Co Ltd Tokyo

TOKYO MARKET LETTER ON REQUEST

Specially drawn for the RNLI by Eric Fraser FSIA

DISTRESS CALL

answered always by the life-boats with their volunteer crews. Are you also ready to answer *their* call? The life-boat service depends entirely upon voluntary support.

Donations and legacies to:
ROYAL NATIONAL LIFE-BOAT INSTITUTION
42 GROSVENOR GARDENS · LONDON · S.W.1.

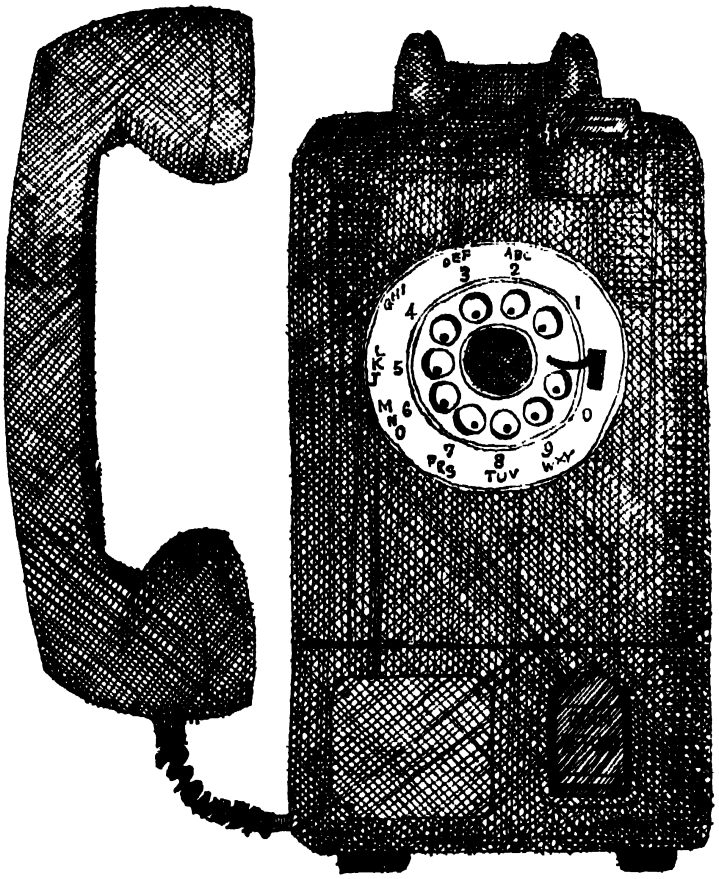
Treasurer: The Duke of Northumberland, K.G. *Secretary: Stirling Whorlow, Esq.*

RNLI

A constant factor over the centuries . .

In the eighteenth century a building stone by stone, lifted labor[illegible] by hand. Today mass[illegible] structures of steel and ferro-concrete seem to mushroom overnight. It is the mode of all this progress [illegible] likely that the principles of it[illegible] unchanged. The foundations we[illegible] laid by a few Company like the Royal Exchange Assurance about the time of master architect Christopher Wren. And they are observed in the transactions of today [illegible] changed only by modern needs and speeded by modern methods through a group of associated Companies whose interests and activities span the globe.

Royal Exchange Assurance
Head Office: ROYAL EXCHANGE · LONDON, E.C.3



Don't hesitate . . . call us now!

Just a phone call. That's all it takes. And any one of our branch offices is as close to you as your nearest phone. So why not contact one of the following numbers in your area. A Toyo Menka man, a specialist in his field and a member of a highly trained team of business experts, will gladly call on you.

Expert advice, up-to date information, skill, experience and the right connections are essential in any business venture, especially when trading with Japan. We have all these. And our worldwide activities include trading, business promotion, industrial co-ordination, contracting and financing. That's why we have so many satisfied clients around the world. So pick up your phone and call us now. You'll never regret it!

LONDON	**Museum 5451**
ROTTERDAM	**111015/7**
DUESSELDORF	**81758/9**
HAMBURG	**36-32-86**
MILANO	**79-4428**
PARIS	**RIC 1154/6**
BARCELONA	**232-18-00**

TOYO MENKA KAISHA, LTD.

2, Ohtemachi 1-chome, Chiyoda-ku, Tokyo. Cable Address: TOYOMENKA TOKYO	**1, Koraibashi 3-chome, Higashi-ku, Osaka Cable Address: TOYOMENKA OSAKA**

Registered as a Newspaper. Authorised as Second Class Mail Post Office Dept., Ottawa. Printed in England by St. Clements Press Ltd London E.C.4. Published by The Economist Newspaper Ltd at 25 St James's Street, London S.W.1. Telephone Whitehall 5155. Postage on this issue UK 7d. Overseas 6½d

STOCK PRICES AND YIELDS

LONDON STOCK EXCHANGE INDICES

	THE ECONOMIST-EXTEL INDICATOR (1953=100)			FINANCIAL TIMES (1935=100)		FT-ACTUARIES INDICES (April 10, 1962=100)			
1965	Noon	Close	Yield %	Ord. Index	Yield %	500 Shares	Yield %	2½% Consols Yield	Bargains Marked
Aug 4	366 5	368 6	5·85	321 2	6·12	100·90	5·90	6 67	8,331
„ 5	369·7	370·2	5 82	322·7	6 09	101·62	5·86	6 67	9,474
„ 6	372 4	373·6	5 77	324 9	6·05	102·14	5·83	6 67	9.945
„ 9	371·8	371 7	5·80	324·0	6·06	101 87	5 84	6 67	11,532
„ 10	371·6	373 2	5·78	325 6	6 03	102 00	5·84	6 63,	8,782
„ 11	373·3	374·1	5·76	326 7	6 02	102·10	5·83	6·52	8,715
	High, 405 2 (May 14) Low, 361 1 (July 5)			High, 359 1 (May 3) Low, 313·8 (July 29)		High, 111 39 (February 18) Low, 99 07 (July 29)			

Prices, 1965 High	Low	BRITISH FUNDS DOMINION AND CORPORATION STOCKS	Price, August 4, 1965	Price, August 11, 1965	Net Red. Yield, August 11, 1965§ £ s. d.	Gross Red. Yield, August 11, 1965 £ s. d.
93 1/16	90⅞	Savings Bonds 2½% 1964-67	92 13/16	93 1/16	4 9 5	6 16 10
84 9/16	82⅞	Savings Bonds 3% 1960-70	83*	83 3/16*	4 12 3	6 19 5
79 9/16	76¾	British Electric 3% 1968-73	78⅝	78¾	4 9 5	6 16 0
75	71½	Savings Bonds 3% 1965-75	71 15/16*	72⅛*	4 12 0	6 18 0
73¾	70¼	British Electric 3½% 1976-79	71⅛	71¼	4 8 4	6 15 4
61¼	56½	British Transport 3% 1978-88	57	58	4 7 6	6 12 4
92	88¼	Funding 4% 1960-90	91⅞	91¾	3 9 9	5 5 11
58⅞	53⅜	British Gas 3% 1990-95	53⅞	54⅞	4 5 0	6 10 5
88½	81⅛	Treasury 5½% 2008-12	81¼*	82*	4 1 0	6 14 10
55 5/16	51¼	War Loan 3½% ..... after 1952	51⅞	52⅞	3 18 5	6 14 2
40 1/16	37	Consols 2½%	37⅝	38½	3 16 7	6 10 9
87½	85⅝	Australia 3¼% 1965-69	86⅛	86½	...	7 1 6
89¾	87¼	Birmingham 4¼% 1967-70	87¾	87¾	...	7 2 6
104¼	99½	LCC 6¼% 1974	99⅞	100⅛	...	6 15 0
98¼	94½	Australia 6% 1974-76	95⅜	95½	...	6 15 6
102⅛	97⅝	Bristol 6½% 1975-77	97⅞	98¼	...	6 13 6
98¾	93	New Zealand 6% 1976-80	93*	93½*	...	6 12 6
83	80	Northern Rhodesia 6% 1978-81	80	80	...	8 5 0p
103⅝	98¾	LCC 6¾% 1988 90	99⅞	100¼	..	6 14 6
55½	53½	Southern Rhodesia 4½% .. 1987-92	54½	55	...	8 18 0
45¾	42½	LCC 3% ..... after 1920	42½*	43*	...	6 17 6

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, Aug. 4, 1965	Price, Aug. 11, 1965	Yield, Aug. 11, 1965 % ‡‡	Cover
			BANKS, DISCOUNT & HP					
62/-	53/3	6½ a	Barclays £1	56/-	57/6	60/-	3 8	...
47/9	39/3	5 a	Lloyds £1	41/6	44/6	44/9	4·2	...
18/4½	16/-	7½ a	Martins 5/-	17/7½	18/3	18/3	4·1	...
59/-	50/9	6½ a	Midland £1	51/6	53/6	54/9	4·4	...
72/3	62/6	8 a	Nat. Provincial £1	66/6	66/6	68/-	4 7	...
61/9	47/6	6¾ a	Westminster 'B' £1	54/9	58/6	59/9	4 4	...
48/-	39/3	8 b	Australia & N. Z. £1	44/6	41/9	42/9	5 6	...
37/3	28/6	6 b	BOLSA £1	33/3	31/6	31/3	6·1	...
£25 5/16	£21 15/16	$2 20c	Bank of Montreal $10	£23 11/16	£23¼*	£23*	3 2	...
55/3	43/3	5 ††	Bank of New S. Wales. £1	48/3	44/9	45/9	3·5	...
39/9	37/-	5½ a	Barclays DCO. £1	39/3	39/9	39/6	5·6	...
47/6	41/6	7½ b	Chartered £1	46/6‖	46/6	46/3	6·5	...
£12⅛	£8⅜	6/6b	Hongk'g. & Shang. .. $25	£9⅛	£8½	£8¾	5 1	...
30/8¼	24/6	5 a	Nat. Com. Bk. Scot. .. 10/-	27/6	26/-	26/-	4 6	..
£30⅜	£26½	$2·60c	Royal Bk. Canada $10	£28¾	£27⅞	£27⅛*	3 2	...
60/-	51/9	10 b	Standard Bank £1	57/9	55/9	55/6	6 3	...
29/7½	23/3	16½ b	Hambros 5/-	27/-	24/6	25/6	4 7	..
14/8¼	10/11½	4 a	Hill, Samuel 5/-	12/7½	10/4½	10/7½	4 7	.
31/3	26/6	24 c	Montagu Trust 5/-	31/6	27/9	28/9	4 2	.
59/-	47/-	6 b	Schroders £1	59/-	48/-	52/-	3 7	...
50/-	42/3	6¼ a	Union Discount £1	45/9	45/-	46/6	5·4	..
11/1½	8/9	4 a	Bowmaker 5/-	10/-	8/9	9/-	8·3	1 4
18/-	13/-	15 b	Lombard Banking 5/-	16/-	13/4½	13/6	7 4	...
15/3	13/6	7½ a	Mercantile Credit . 5/-	14/6	13/9	13/6	7 4	1 7
17/6	14/6	14 b	United Domins. Tst . 5/-	17/3	14/9	15/3	6 6	1·4
			BREWERIES, Etc.					
14/7½	11/9	5 a	Allied Breweries ... 5/-	12/4½	12/3	12/4½	5 9	1 5
18/4½	13/7½	4 a	Bass, Mitchells & B. . 5/-	15/3	14/1½	14/7½	5 5	1·8
15/1½	12/-	10 b	Charrington United . 5/-	13/4½*	12/6	12/7½	5 9	1·7
25/6	20/-	7½ b	Distillers 10/-	22/9	24/-	25/6	4 9	1·8
22/-	18/-	8 a	Guinness 5/-	20/3	18/9	19/-	5 5	1·7
20/6	13/5¼	11½ b	Harveys 5/-	15/3	17/10½	17/6	4 7	2 0
65/6	51/-	8 b	Scottish & Newc. Brew. £1	60/6	52/3*	52/3*	5 4	1 5
17/7½	13/4½	4¾ a	Watney Mann 5/-	14/9	14/1½	14/9	5 4	1·9
16/7½	13/-	9 b	Whitbread 'A' 5/-	14/-*	13/6	14/1½	7·1	1·8
			BUILDING, PAINT, Etc.					
59/7½	47/3	6½ b	Associated Portland .. £1	56/6	48/6	49/-	4 1	2 4
27/9	19/4½	6½ b	BPB Industries 10/-	25/9	20/6	20/3	5 4	2·0
26/3	18/10½	12 b	Richard Costain 5/-	24/6	19/1½	20/1½	5 0	3·4
10/9	7/2¼	8½ b	Crittall Hope 5/-	8/7½	7/7½	7/2¼	8·3	1·9
16/3	12/3	17 b	International Paints .. 4/-	14/10½	12/6	12/3	8·2	1·7
25/6	18/6	15 b	London Brick 5/-	23/3	18/7½	19/3	5·2	2·2
27/3	20/6	10 b	Rugby Portland 5/-	26/1½	21/-	20/9	3·6	3 1
			CHEMICAL					
24/6	20/3	16 b	Albright & Wilson . 5/-	23/3	20/10½	21/9	4·8	1 8
19/9	16/10½	5 a	Borax Defd. 5/-	19/4½	18/10½*	18/10½*	4·2	2·3
56/-	49/-	5 a	Fisons £1	53/6	53/3	54/6	4·4	1·7
49/1½	42/4½	7½ b	I C I £1	45/3	44/3	44/9	5 6	1 3
16/3	12/10½	10 b	Monsanto 5/-	13/6	13/1½	13/9	5 0	1·3
			DRAPERY & STORES					
17/7½	14/6	8 b	Boots Pure Drug ... 5/-	16/-	15/7½	15/10½	3 8	2 3
26/6	19/9	2 a	Montague Burton ... 10/-	25/6	23/6	23/-	3·5	1·6
38/3	30/4½	6¼ a	Debenhams 10/-	33/3*	31/-	31/-	7·0	1·5
37/6¾	32/8¼	21¾ b	Grattan Warehouses . 5/-	35/6*	35/10½	36/3	4·2	1·7
45/6	38/7½	25 b	GUS 'A' 5/-	43/-	42/-	42/6	4·1	2·1

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, Aug. 4, 1965	Price, Aug. 11, 1965	Yield, Aug. 11, 1965 % ‡‡	Cover
25/3	19/9	18½ b	House of Fraser 5/-	23/9	20/6	20/6	7 9	1 3
13/4½	10/1½	10 b	Lewis's Invest. Tst. .. 4/-	12/1½*	10/3	10/2¼	5 9	1 8
35/6	32/6	20 b	Marks & Spencer 'A' . 5/-	34/6	33/6	33/1½	4·3	1 4
30/6	27/-	6 a	United Drapery 5/-	28/3	27/7½	27/6	4 7	1 8
23/3	18/-	5½ a	Woolworth 5/-	19/7½	18/6	19/1½	5·2	1 4
			OIL					
54/9	44/-	†8½ b	British Petroleum ... £1	51/3*	52/-	52/3	7 6	2·6
51/9	44/3	†8½ b	Burmah Oil £1	49/3	48/3	48/10½	9 0	1 1
£17 13/16	£14¾	18 3b	Royal Dutch ..... 20 fl.	£15⅞	£15 15/16	£15 15/16	3 6	2 1
36/4½	29/1½	†18½ b	Shell Transport 5/-	32/10½	30/6	30/6	8 4	2·0
30/3	21/9	...	Ultramar 10/-	28/4½	23/3	23/3	...	...
			ELECTRICAL & RADIO					
53/3	38/-	8¼ b	AEI £1	46/-	45/-	45/-	5 3	1 5
76/1½	61/7½	10 b	BICC £1	69/7½*	64/6	65/6	(4 9)	2 0
12/7½	9/6¾	4 4a	Crompton Parkinson 5/-	13/9¾	10/6¾	10/9¾	4 5	2·2
75/-	61/6	10 a	Decca 10/-	70/6	62/6	63/6	4 3	1 8
27/9	21/4½	5 a	EMI 10/-	26/9	22/6	23/3	5 4	2 3
18/6	11/7½	6½ b	Elliott-Automation . 5/-	15/9	13/1½	12/9¾	4·1	1·8
55/3	42/3	4 a	English Electric £1	47/7½	45/9	48/3	5 0	1 9
46/9	37/-	3 a	General Electric £1	39/10½	38/9	39/3	4 3	2·7
63/9	44/-	8⅛ b	C. A. Parsons £1	53/9	53/3	53/9	4·7	1·2
132/11½	101/3	10 b	Philips Lamp Works . 10 fl.	128/6	108/6	107/6	3 0	2·3
38/7½	29/3	7 a	Plessey 10/-	34/4½	30/6¾	32/3	3·7	2·5
18/7½	12/6	20 c	Pye (Cambridge) 5/-	16/-	14/2¼	14/11¼	6·7	2·0
42/3	33/-	20 a	Radio Rentals 5/-	40/7½	33/3*	33/9*	5·9	2·5
61/3	44/-	7½ b	A. Reyrolle £1	50/-	52/3	51/9	3 8	3·1
76/-	52/3	15 b	Thorn Electrical 5/-	65/6	55/9	54/6*	2 8	4·5
			ENGINEERING					
39/9	30/9	5½ b	Babcock & Wilcox ... £1	34/3	33/-	34/3	5 8	1·4
40/6	33/-	7 b	John Brown £1	37/10½	35/9	37/-	5 9	1·3
9/-	6/7½	8 b	Cammell Laird 5/-	8/3¾	6/7½	6/7½	9 1	0 4
14/-	11/4½	5 a	Internat. Combust. . 5/-	27/3	12/0¾	12/5¼	6 0	1 2
26/3	20/4½	7½ b	Swan Hunter £1	23/6	21/6	21/6	9·3	0·6
8/6¾	5/9¾	5¾ b	John Thompson 5/-	8/3¾	5/11¼	5/9¾	7 5	0·6
35/6	26/4½	†3¾ a	Coventry Gauge. .. 10/-	32/-	27/-	26/10½	6 3	1·9
56/6	42/-	†2 a	Alfred Herbert £1	53/1½	46/6	47/-	5 8	1·6
27/6	21/7½	12½ a	Acrow (Eng.) 'A' . . 5/-	26/6	21/7½	22/6	(5 1)	1·6
25/6	17/6	17½ b	Allied Ironfounders . 5/-	24/3	18/0¾	18/4½	6·8	1·8
23/9	19/9¾	17½ b	Averys 5/-	22/6	21/-	21/3	5 3	1 7
24/10½	18/3¾	5 a	BSA 10/-	20/8¼*	21/6	22/6	(5·3)	2 0
12/-	9/6	8 b	George Cohen 5/-	10/-	11/0¾	10/9¾	5 5	2 2
15/7½	11/7½	6 b	Davy-Ashmore 5/-	12/10½	12/3*	12/-*	4 6	...
56/3	45/9	9 b	Guest, Keen £1	48/-	47/9	47/-	6·0	2·0
19/6	12/3	12 b	Head Wrightson 5/-	19/-	12/3	12/3	6 5	1 3
58/3	48/9	7½ b	Metal Box £1	55/1½	51/6	53/-	4 7	1 7
17/8¼	14/-	6 a	Ransome & Marles ... 5/-	16/4½	14/-	14/-	6 1	2·1
40/10½	34/11½	5 b	Renold Chains £1	38/9	36/6	37/3	5 1	1 9
72/9	58/4½	7½ a	Tube Investments £1	59/-*	59/9	59/9	5 0	1 9
28/3	20/9	7½ b	Vickers £1	23/6	21/7½	22/4½	8·9	0 5
48/6	38/6	9¼ b	Ward (Thos. W.) £1	42/9	40/4½	39/10½	8 8	1·9
14/9	10/4½	8 b	Wellman Smith Owen 5/-	11/9	11/3	11/3	6·7	1 0
18/6	14/3	16 b	Woodall-Duckham .. 5/-	15/6	16/9	17/3	6 1	1·3
			FOOD & TOBACCO					
33/3	28/-	16 a	Allied Suppliers 10/-	28/6	31/9	31/11¼	5 0	2 1
7/9	6/10½	15 b	Assoc. British Foods .. 1/-	7/7½	7/-	7/1½	4 4	2 0
40/-	32/4½	8 b	Bovril £1	36/3	34/3	34/9	6·9	2 2
12/4½	10/6	†2½ a	Brooke Bond 'B' 5/-	11/7½	11/-	11/1½	5·7	2·8
8/7½	7/3	8 b	Fitch Lovell 2/6	7/7½	8/-	8/-	4·7	2·4
10/7½	8/10½	9½ b	International Stores .. 5/-	9/3	10/11½*	10/11½*	5·4	2·0
59/6	50/6	10 b	J. Lyons 'A' £1	52/-‖	51/-	51/4½	5·2	1·6
33/10½	26/-	5½ a	Ranks Hovis 10/-	29/9	26/6	26/9	6 0	1 9
32/11½	26/-	7 b	Reckitt & Colman .. 10/-	28/3	26/9	28/-	5 0	2 2
15/9	12/6	9½ b	Spillers 5/-	15/4½	13/4½	13/6	4·8	2·3
35/3	28/9	7 a	Tate & Lyle £1	31/-	31/-	31/9	6·3	2 0
8/6	6/3	18 b	Tesco Stores 1/-	7/5¼	8/3‖	8/6‖	4 0	2·4

FOREIGN AND OVERSEAS STOCKS

	Aug. 4 Frcs.	Aug. 11 Frcs.		Aug 4 %	Aug. 11 %		Aug 4 %	Aug 11 %
FRANCE			**GERMANY**			**HOLLAND**		
Air Liquide ...	571	584	A E.G.	433	444	A.K.U.	445½	458¾
Banque de Paris	306	299	Bad'che. Anilin.	460	450	Amster. Rot. Bk.	Fl. 58 8	Fl. 59 8
Citroen	156	159	Bayer	397	401	Bijenkorf	663	652
C. F. Petrole..	174 5	170	Commerzbank .	390	406	Heinekens	467	473
Cie G. d'Elect.	508	503	Deutsche Bank .	420	430	Interunie (Fl.50)	Fl. 186	Fl. 188
Machines Bull .	94 5	91	Hoechst Farb. .	506	520	K. N. Hoogoven	494	505
Pechiney	195	192	Kundenkredit .	338	339	Kon. Zout-Key.	865	886½
Printemps	196	195·5	Loewenbrau ...	1,000	1,010	Philips (Fl.25) ..	Fl. 119	Fl. 119·2
Rhone-Poulenc	280 5	274	Mannesmann ..	200	198	Robeco (Fl.50) .	Fl 219	Fl. 221
S.I.M.	315	313	Siemens	514	514	Thomassen & D.	492	524
Saint-Gobain .	209	209	Thyssen-Huette	182	185	Valeurop	Fl. 64 8	Fl. 65·0
Usinor	104	97 5	Volkswagen	509	515	Zwanenbg (Fl.20)	Fl 178 5	Fl. 181 5
Index	90·2	89 4	*Herstatt Index*	95 07	96·95	*Index*	333·0	336·6
High	101 4	(31.3.65)	*High*	105·22	(8.1.65)	*High*	370·9	(2.3.65)
Low	84·8	(20.7.65)	*Low*	89·09	(29.6.65)	*Low*	320·2	(29.6.65)
	Dec. 31, 1964=100.			Dec. 31, 1959=100.			1953=100.	

	Lire	Lire		Frcs.	Frcs.		Kr.	Kr.
ITALY			**BELGIUM**			**SWEDEN**		
Ass. Generali .	89,300	89,300	Arbed	4,630	4,625	Alfa Laval B....	358	363
Breda	3 300	3,300	Bque. Soc. Gen.	4,245	4,250	Asea	561	570
Edison	2,136	2,136	Ciment'lesBrlq.	3,100	3,070	Elektrolux	217	217
Fiat	2,024	2,024	Cockerill-Ougr.	1,800	1,800	Ericsson B. Kr. 50	258	259
Finsider	862	862	Esperance Long	2,700	2,620	Grangesberg	342	344
La Centrale ..	9,575	9,575	Hoboken	5,420	5,500	Skand. Banken .	166	168
Montecatini .	1,525	1,525	Innovation	3,900	3,880	Sv. Cellulosa ..	220	215
Motta	12,350	12,350	Petrofina	1,922	1,936	Sv. Handelsbank	189	189
Olivetti	1,825	1,825	Photo Gevaert	2,338	2,330	Tandstk. B. Kr. 50	173	170
Pirelli S.p.A...	2,943	2,943	Soc. Generale .	15,750	15,800	*Index*	263·41	265·50
Rinascente ...	246	246	Sofina	9,340	9,410	*High*	265 82	(10.8.65)
Snia Viscosa ..	4,210	4,210	Un. Miniere l/10	822	880	*Low*	238 12	(23.4.65)
Index	56·12	56·12	*Index*	129·01	129·88		Dec. 29, 1956=100.	
High	64·59	(18.3.65)	*High*	135·46	(8.1.65)	**NORWAY**	%	%
Low	49·53	(14.1.65)	*Low*	124·70	(8.7.65)	Bergens Priv'bk	170	170¾
	Jan. 2, 1962=100.			Dec. 31, 1953=100.		Borregaard ...	190	180
						Norsk Hydro .	241¼	236½

* Ex dividend. † Tax free. § The net redemption yields allow for tax at 8s. 3d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Equivalent to 8·0 sterling. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) Ex all. (h) After Zambian tax. (l) To latest date. (n) Interim since reduced or passed. (p) Resulting from split of Federation of Rhodesia and Nyasaland Stock. Japanese prices supplied by Daiwa Securities, Tokyo. Canadian 65 Stock Industrial Index supplied by the Montreal Stock Exchange. ‡‡ Yields in brackets are on forecast dividend.

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, Aug. 4, 1965	Price, Aug. 11, 1965	Yield, Aug. 11, 1965 % **	Cover
13/10½	12/6	9 b	Unigate ... 5/-	13/-	12/6	12/7½	5·5	1·7
55/6	44/9	†17½ a	Brit. Amer. Tobac. ... 10/-	48/-	54/9	55/6	6 6	2·4
26/4½	21/-	14 b	Gallaher ... 10/-	22/9	25/-	25/-	7·4	2·1
57/3	47/-	7½ a	Imperial Tobacco ... £1	49/3	54/4½*	54/6	7·3	1·6
			INSURANCE					
6¼	5¼	43⅓ a	Britannic ... 5/-	5½	6 1/16	6¼*	4·3	...
47/3	36/3	25 b	Commercial Union ... 5/-	42/3	45/3	47/3	4·8	...
5	4⅛	†40 c	Equity & Law Life ... 5/-	4½	4⅞	5	3·4	...
50/-	40/3	25 b	General Accident ... 5/-	49/9	48/9	49/9	3·8	...
34/6	27/3	15 b	Guardian ... 5/-	29/9	33/9	34/3	3 9	...
9¾	8¼	50 b	Legal & General ... 5/-	9	9	9⅜	2·7	...
122/6	97/6	13 b	Northern & Empl. ... £1	121/3	118/9	122/6	3 9	.
49/3	37/-	†110 b	Pearl ... 5/-	10½	43/9	44/9	4 9	...
33/6	28/3	†47 9b	Prudential 'A' ... 1/-	29/6	32/9	33/6	4 0	...
40/3	30/9	20 b	Royal ... 5/-	36/3*	39/3	40/3	4·3	...
78/3	62/3	11¼ b	Royal Exchange ... £1	73/3	75/3	78/3	4·8	..
			MOTORS & AIRCRAFT					
15/1½	12/4½	5 a	Birfield ... 5/-	15/-	13/6	13/-	3 8	1 9
15/1½	11/6	7½ a	British Motor ... 5/-	14/8¼	12/1½	12/0¾	8·3	1 7
33/1½	25/-	15 c	Jaguar Cars 'A' ... 5/-	30/-	26/7½	27/3	2 8	6·8
9/2¼	6/4½	4 c	Rootes Motors 'A' ... 4/-	7/1½	6/6¾	6/9	2 4	3·1
58/-	47/-	2½ a	Leyland Motors ... £1	53/6	48/6	50/-	4·4	2·3
18/-	14/6	8½ b	Bristol Aeroplane ... 10/-	15/10½	15/4½	15/6	8 7	2·0
35/3	27/10½	7 b	Hawker Siddeley ... £1	29/10½	32/1½	33/3	7 2	1·7
40/3	31/3¾	7½ b	Rolls-Royce ... £1	35/10½	37/-	36/4½	5 5	1·9
20/4½	15/3¾	†3¼ b	Dowty Group ... 10/-	17/10½	15/9*	15/9*	5 6	2 0
31/6	25/1½	10·8 b	Dunlop Rubber ... 10/-	29/4½	25/6	26/7½	5 9	1·8
35/9	29/6	2½ a	Joseph Lucas ... £1	32/9*	29/6	30/3	5 5	2 4
12/5¼	8/9	13 b	Pressed Steel ... 5/-	10/11¼	11/9¾	11/9	7·4	2 0
30/4½	23/9¾	5⅜ b	Triplex Holdings ... 10/-	24/10½	23/11¼	23/9¾	(5 2)	
			PAPER & NEWSPAPERS					
46/6	37/6	20 b	Financial News ... 5/-	44/9	37/6	38/-	3 3	2 9
67/-	57/6	30 b	Financial Times ... 5/-	66/9	57/6	57/6	3 3	2 7
18/3	15/7½	14 b	Internat. Publishing 5/-	15/9	16/1½	16/1½	6 2	1·8
31/6	22/3	16 b	News of the World ... 5/-	27/3	22/3	22/3	6 7	1 7
56/6	48/9	8½ b	W. H. Smith & Son 'A' . £1	53/-	50/-	50/3	5 0	2 0
21/9	17/9	18 b	Thomson Org'n. ... 5/-	20/3	19/6	20/-	7·0	1·4
47/-	38/7½	20 a	Bowater Paper ... £1	45/9	45/6	47/-	5 9	1 8
21/9	17/1½	10 a	British Printing ... 5/-	19/3	18/4½	18/1½	6 2	1 8
30/-	24/-	17½ c	Bunzl Pulp ... 5/-	27/9	28/-	28/-	3·1	4 5
57/6	47/-	12 b	Reed Paper ... £1	50/9	52/-	52/7½	6 5	1 5
50/1½	44/3	10 b	Wiggins Teape ... £1	46/9	45/-	45/6	6 2	1 9
			STEEL					
42/3	25/10½	6 a	Colvilles ... £1	28/6	30/9	31/1½	10·3	1 4
29/-	23/4½	4 a	Dorman Long ... £1	25/3	25/10½	25/9	10·9	1·2
31/-	19/-	2 a	Lancashire Steel ... £1	19/3	21/-	21/-	(n)	0 9
24/-	16/6	4 a	South Durham ... £1	18/-	19/-	19/9	12·2	1 3
28/6	17/7½	3⅜ a	Steel Co. of Wales ... £1	19/-	22/6	22/-	9 1	...
36/3	30/-	5 a	Stewarts & Lloyds ... £1	32/3	32/6	32/9	10 7	1 6
35/3	27/3	6 a	John Summers ... £1	30/3	31/6	31/3	10 2	1 7
36/6	27/-	6 a	United Steel ... £1	29/3	28/6	29/-	10 3	1 1
			MISCELLANEOUS					
26/4½	23/-	20 b	Assoc. British Picture 5/-	23/10½	24/6	24/9	6 1	2 9
14/11¼	12/10½	12½ b	Assoc. Television 'A' 5/-	14/2¼	13/6¾	13/3*	8 5	2 0
30/3	27/1½	6½ b	Wm. Baird ... £1	29/1½	28/-	28/9	6 6	2 4
22/3	19/-	11 b	Beecham Group ... 5/-	19/10½	21/6	21/6	4 7	2 0
19/3	16/9	†6⅔ b	Bookers ... 10/-	19/-	17/9	18/6	9·2	2·1
44/-	36/4½	7 92 b	British Match ... £1	41/1½	37/4½	36/7½*	6 1	1 9
10/3	8/6¾	3 a	British Oxygen ... 5/-	9/1½	8/9¾	9/0¾	5 5	1·6
12/9	9/4½	11 b	British Ropes ... 5/-	11/-	10/10½	11/-	6·4	1 8
11/6	9/4½	37½ b	Butlin's ... 1/-	10/9	9/10½	10/-	5·5	1 2
31/9	21/1½	10 b	De La Rue ... 10/-	27/6	23/6	24/-	6·3	1 7
19/-	13/10½	12 c	Drages ... 5/-	16/10½	14/7½	14/10½	4·0	2 9
25/9	19/6	4 b	Gestetner 'A' ... 5/-	25/3	20/9	22/9	3·5	2 7
32/9	29/3	6 a	Glaxo ... 10/-	31/3*	30/3	31/6	4·3	2·3

Prices, 1985 High	Prices, 1985 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, Aug. 4, 1965	Price, Aug. 11, 1965	Yield, Aug. 11, 1965 % **	Cover
46/9	38/9	3 a	Harrisons & Cr. Defd. £1	42/3*	43/6	44/6	6·7	2·0
48/4½	39/-	15 a	Hoover 'A' ... 5/-	45/3	39/-*	39/9*	7·5	2·1
102/6	85/6	13·27b	Hudson's Bay ... £1	92/3	96/-	95/9	4·2	2·4
48/6	30/6	4 1/6 a	ICT ... £1	44/3	31/-	30/6	7·4	...
20/3	16/-	12 b	Mecca 'A' ... 5/-	17/-	17/3	17/10½	6·4	1 0
35/-	27/-	12½ c	National Canning ... £1	29/1½	28/-	30/6	8·2	1·1
21/3	16/-	8 b	Powell Duffryn ... 10/-	19/4½	19/1½	20/3	5·4	1·9
31/3	21/1½	8 a	Rank Organisation ... 5/-	24/6	21/6	21/6	(4·9)	2 6
13/1½	11/7½	9½ b	Schweppes ... 5/-	12/-	12/4½	12/6	5·4	1 6
21/6	18/3	25 c	Sears 'A' ... 5/-	19/6¾*	19/7½	20/0¾	6 2	1 6
18/-	15/2¼	11·2b	Steetley ... 5/-	20/1½	15/4½	15/9	4·8	2·0
25/4½	21/1½	18½ b	Thomas Tilling ... 4/-	23/6*	21/7½	21/10½	5 2	1·9
43/7½	34/9¾	3¾ a	Turner & Newall ... £1	42/-	37/-	37/9	5·7	1·7
36/1½	30/4½	15⅚ b	Unilever ... 5/-	31/9*	34/4½	33/10½	3·7	3 0
9½	8¼	13·25b	Unilever NV ... 12 fl	8 7/16	9⅜	9 7/16	2 6	3 0
11/7½	8/3	10 b	United Glass ... 5/-	11/1½	9/6	9/6	7 9	0 8
			MINES					
320/-	238/9	80 a	Anglo-American ... 10/-	271/3*	308/9	296/3	4·1	1 8
21/10½	17/-	...	Charter Cons. ... 5/-	19/7½	21/6	21/-	...	...
101/6	86/6	11¼ a	Consolid. Gold Fields £1	95/9*	100/6	98/3	6 1	2 2
146/3	130/-	20 b	General Mining ... £1	136/10½	137/6	139/4½	5 0	2 5
116/3	103/1½	120 b	Union Corporation 2/6	108/9	113/9	110/9	3·6	3 0
153/9	121/3	120 b	Free State Geduld ... 5/-	128/9*	151/10½	145/-	6 6	1·3
138/1½	101/10½	40 b	W. Driefontein ... 10/-	113/9	136/3	130/7½	5·7	1·9
86/10½	60/-	6¼ a	Western Deep 'A' ... £1	78/1½	85/7½	82/6	3 6	4 9
236/3	198/9	160 b	Western Holdings ... 5/-	213/9	232/6	230/-	6 0	1 2
52/3	38/-	8 17/32 a	Roan Selection Tst. ... £1	40/-	46/-	47/-	9 3h	1 2
13/7½	11/3	7½ c	Tanganyika Cons. ... 10/-	12/3	12/-	12/3	6·1	1 2
63/6	54/3	40 a	Z. Anglo-Amer. ... 10/-	57/9*	58/-	60/-	15 0h	1 2
185/-	142/6	60 a	De Beers Defd. Reg. ... 5/-	151/1½*	183/9	175/-	4 3	2·2
$183	$154	$2 75c	Internat. Nickel ... n.p.v.	$167½	$175	$177	2·8	...
18/10½	14/-	32½ b	London Tin ... 4/-	16/10½	16/7½	16/7½	9 6	1·4
30/6	24/3	14 1/6 b	RTZ ... 10/-	28/7½‖	29/9	30/-	6·3	2 0
21/6	11/9	15 a	Tronoh ... 5/-	18/6	14/6*	15/3*	(n)	1·0
			SHIPPING					
44/-	20/-	2 a	Anglo Norness ... £1	34/3	23/6	26/9	5·6	4 0
20/6	16/9	8	Brit. & Com'wealth 10/-	19/-	19/4½	20/9	5·8	1 4
17/0¾	13/9	5 c	Cunard ... £1	15/3¾	13/4½	13/9	7·3	...
36/7½	29/3	11 c	Furness Withy ... £1	30/-	34/4½	36/7½	6 0	.
32/6	24/6	7 b	P & O Defd. ... £1	27/4½	28/4½	29/3	6 8	0 6
			TEXTILES					
42/3	33/-	7 b	Ashton Bros. ... £1	39/6	33/-	33/-	7 3	1 7
16/7½	12/10½	11½ b	Carrington & Dewh'st 5/-	14/3	14/6	14/6	6 0	2 0
22/9	18/6	16⅔ b	Courtaulds ... 5/-	19/-	19/6	19/4½	6 5	1 7
66/3	50/-	6 a	West Riding Worsted . £1	54/6	52/6	54/-	6 7	1 7
21/10½	18/4½	6¼ b	Woolcombers ... £1	19/10½	18/4½	17/10½	9 8	1 1
12/11¼	10/2¼	6 a	Calico Printers ... 5/-	10/9¾	11/0¾	11/3¾	(7 1)	2 4
44/9	36/4½	8¾ b	Coats, Patons & B. ... £1	40/9	37/5¼	39/0¾	6·9	1 7
12/11¼	9/11¼	9 b	English Sewing Cotton 5/-	10/5¼	10/8¼	10/8¼	7 0	1 8
15/3¾	10/9	11⅔ c	Viyella Int. ... 5/-	21/-*	11/3	11/4½	5 1	2 0
			TRUSTS & PROPERTY					
24/3	20/-	10½ b	Alliance Trust ... 5/-	24/3	22/6	22/6	3 9	1 2
54/3	45/7½	37½ b	BET 'A' Defd. ... 5/-	49/10½	49/4½	49/10½	6 3	1 7
18/6	14/9	6¾ a	Cable & Wireless ... 5/-	18/6	16/7½	16/3	4 2	1 3
17/9	13/5¼	10½ b	Philip Hill ... 5/-	15/6	14/6	14/9	5 4	1·2
30/-	25/6	15½ b	Industrial & General . 5/-	29/9	28/3	28/9	4 7	1·2
29/1½	23/10½	12½ a	City Centre Props. ... 5/-	27/7½	25/-	24/9	6·1	1 1
62/-	47/9	10 b	City Lond. Real Prop. . £1	53/6	60/-	61/6	5·2	1 1
18/6	15/-	5¾ b	Land Securities ... 10/-	15/10½	18/1½	18/6	4·2	1·1
29/3	23/7½	10 b	Lond. Cnty. Freehld 10/-	24/9	28/6	29/9	6·2	1·1
			TEA & RUBBER					
49/-	40/6	†22½ b	Cons. Tea & Lands ... £1	49/-	45/-	46/-	18·50	1 5
25/3	15/-	†3 a	Jokai (Assam) ... £1	20/9	15/-	15/-	13·6	..
3/3¾	2/5¼	12½ a	Highlands & Lowlands 2/-	3/0¾	2/8¼	2/8¼	15·5	1·5
3/9	3/1½	25 b	London Asiatic ... 2/-	3/7½	3/1½*	3/1½*	19 2	1·7

NEW YORK PRICES AND INDICES

	Aug 4 $	Aug 11 $		Aug 4 $	Aug. 11 $
Atch. Topeka ...	32¾	33¼	Gen Electric ...	102½	103¾
Can. Pacific	56½	59½	General Foods .	84¾	84⅝
Pennsylvania .	42¾	42⅜	General Motors	98⅝	97⅜
Union Pacific .	41¼	41⅜	Goodyear ...	47¼	46⅝
Amer. Electric	41⅞	41⅝	Gulf Oil ...	54½	55⅜
Am. Tel. & Tel	66⅝	66⅝	Heinz ...	41½	41⅞
Cons. Edison ...	43½	43¼	Int. Bus. Mach. .	484¾	484
Int. Tel. & Tel. ...	53	53⅛	Int. Harvester ...	36⅝	35⅞
Western Union ...	38¾	41⅝	Inter. Nickel ...	86¼	86¾
Alcoa ...	69⅞	68¼	Inter Paper ...	29½	29⅜
Aluminium ...	26¾	26⅝	Kennecott ...	110¾	109¾
Amer. Can ...	49½	48⅞	Litton Inds. ...	93⅛	94¼
Am. Smelting ..	55½	54⅞	Monsanto ...	84⅝	85¾
Am. Viscose ...	89½	89¾	Nat. Distillers ..	30⅞	31⅛
Anaconda ...	68⅞	65½	Pan-American .	25⅞	27¼
Beth. Steel ...	35*	35⅜	Procter Gamble	73¼	71⅝
Boeing ...	79⅜*	79⅞	Radio Corpn. ..	35⅝	36⅜
Celanese ...	82½	84	Sears Roebuck .	66⅜	67⅛
Chrysler ...	44¾*	44½	Shell Oil ...	63⅛	65½
Col. Palmolive .	31⅝	30¼	Socony-Mobil .	87⅜	88½
Crown-Zellar .	49⅛	48⅜	Stand. Oil Ind .	48⅞	48⅛
Distillers Seag .	32⅞	34¾	Stand. Oil N.J. ..	76*	75¼
Douglas ...	47⅜	47½	Union-Carbide .	59¾	58½
Dow Chemical .	68¼	68⅜	U.S. Steel ...	48⅛	48¼
Du Pont ...	236⅞	235	West. Electric .	50⅛*	52⅛
East Kodak ..	84¾	89¾	Woolworth ..	27½	28⅜
Ford Motor ..	52½	52⅞	Xerox ...	160⅝	166¾

Standard and Poor's Indices (1941–43 10).

1965		425 Industrials	Yield %	Govt. Bonds	Yield %
July	14	90 95	2 98	87·06	4 17
..	21	89 01	3 05	87 06	4 17
..	28	88·99	3 05	87 06	4 17
August	4	90 88	2 99	86 85	4 19
..	11	91 26	2 98	86·75	4·20

425 Industrials – High 95 79 (May 13) Low 86 43 (June 28)

Money Market Indicators

Interest rates in London continued to harden where changed. Three months deposits with local authorities fetched ⅛ per cent and with finance houses 1/16 per cent more than last week. There was a rise of 1/16 per cent for seven days Euro-dollar deposits, but Euro-sterling rates predictably fell back as rumours of devaluation once again proved false. The forward pound again weakened, however, despite the good trade figures, and the cost of forward cover rose by 3/16 per cent. All covered arbitrage margins consequently moved still further in New York's favour.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	91-Day Average Rate of Allotment	91-Day Allotted at Max. Rate*	Tender Issue Outstanding
1964	91-Day		s. d	%	
Aug. 7	250·0	421 6	93· 0 79	41	3,030·0
1965					
April 9	170 0	320 6	129 10 59	52	2,280·0
.. 15	160·0	377·2	128 9 36	24	2,270·0
.. 23	160 0	280·8	127 11 97	28	2,260·0
.. 30	160 0	373·8	127 6 00	31	2,260 0
May 7	160 0	371·4	126 2 47	41	2,260·0
.. 14	160·0	324·3	125 5 69	13	2,260·0
.. 21	190·0	431·5	125 6 98	19	2,760·0
.. 28	170·0	293·1	127 3 34	61	2,260 0
June 4	170 0	313·1	112 9 31	48	2,250·0
.. 11	170 0	330·9	112 0 99	35	2,240·0
.. 18	210 0	410 9	111 9 57	34	2,210·0
.. 25	170 0	302 4	110 10 02	50	2,240 0
July 2	170 0	402 8	110 0 66	22	2,230·0
.. 9	170·0	310 2	111 9 95	30	2,220·0
.. 16	170 0	317 1	112 4 63	21	2,220 0
.. 23	180·0	327 3	112 6 87	22	2,230·0
.. 30	180 0	332·5	112 7 17	19	2,250 0
Aug. 6	190 0	404·4	112 5 41	31	2,270·0

* On August 6th tenders for 91-day bills at £98 11s 11d secured 31 per cent, higher tenders being allotted in full. The offer for this week was for £250 million 91-day bills

KEY MONEY AND ARBITRAGE RATES

London — **August 11**

	%		%
Bank rate (from 7%, 3/6/65) ...	6	**Market discount rates** (*3 months'*)	
Deposit rates		Treasury bills ..	5⅝
7 days' notice:		Bank Bills ...	5 15/16–6
Clearing banks ...	4	Fine trade bills	7–7½
Discount houses .	4		
Local authorities .	6¼	**Euro-dollar deposits:**	
3 months' fixed:		7 days' notice ..	4⅛–5⅛
Local authorities. .	6⅝	3 months' ...	4½–5
Finance houses . .	7⅛–7¼		
Call money:		**Euro-sterling deposits.** (in Paris):	
Clearing banks' minimum ...	4⅜	2 days' notice ..	5½–6
Day-to-day spread ..	4⅜–5⅝	3 months' ...	6¼–6¾
US dollar exchange		**Forward rate:**	
Spot rate ...	2·79⅛–¼	(*3 months'*) ...	1⅞–1¾cpm
Forward cover (*3 months'*): Annual interest cost ...			2 11/16–2½

New York

Treasury bills.		**Market paper.**	
August 4 ...	3 80	Bank bills ...	4 13
August 11 ...	3 85	Certs. of deposit	4 25

Covered Arbitrage Margins

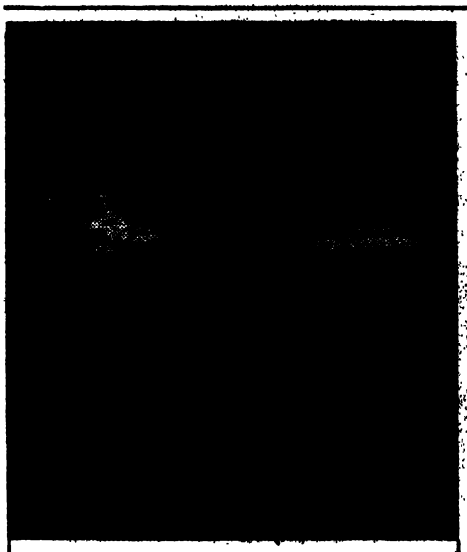
	In favour of. Last week	In favour of. This week
Treasury bills ...	N. York ⅝	N. York 13/16
Prime bank bills ...	N. York 9/16	N. York ¾
Euro-dollar/UK local authority loans ...	N. York 21/32	N. York 23/32
Euro-dollars/Euro-sterling .	N. York 5/32	N. York 27/32

These covered arbitrage margins show the differentials in rates on the particular sterling and dollar assets, as adjusted for the cost of forward exchange cover, shown above

Business in West Africa centres on Accra

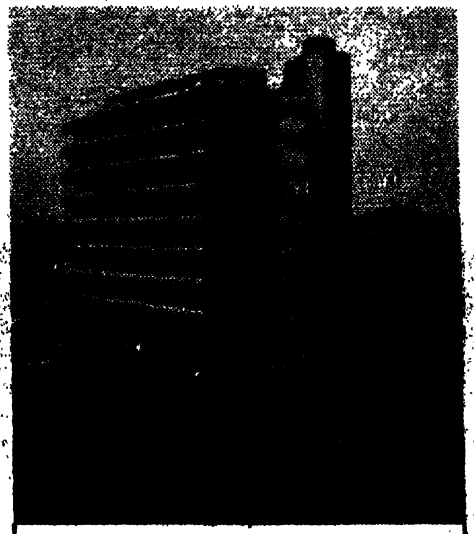
And starts on a Ghana Airways VC.10

GHANA AIRWAYS 3-STAR SERVICE FOR BUSINESSMEN VISITING WEST AFRICA



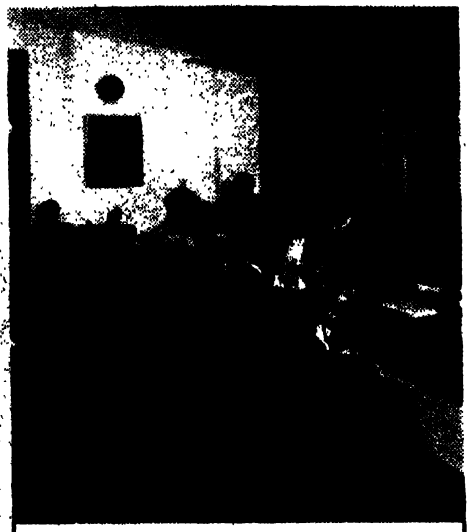
Speed, comfort, convenience

There are three London-Accra flights every week, two *direct* in only 6¼ hours.
By VC.10 it's a smooth, quiet flight, giving you the chance to relax or to complete preparations for your visit. All are *daylight* flights, too, so that on arrival you have an evening to 'adjust' and a full night's rest before getting down to business the next day.



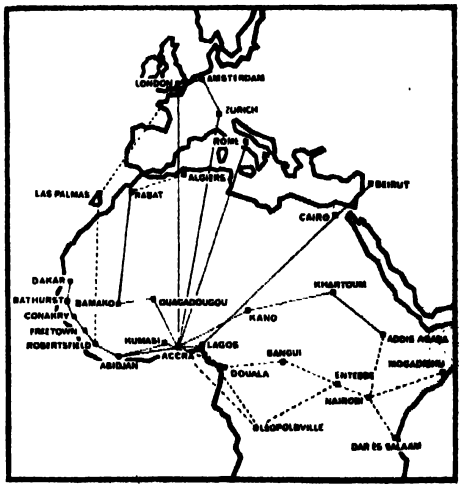
Accra — the business centre of West Africa

Accra is the ideal springboard for your West African campaign.
Fast Ghana Airways services will take you swiftly, comfortably to all other West African capitals; there are six flights every week to Lagos, for example—just 75 minutes away by Ghana Airways Viscount.



Free advice and local information

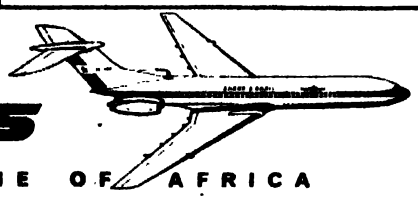
Both *before* you go and *after* you arrive Ghana Airways will gladly give you every assistance they can.
Advice on hotels and restaurants, on local conditions and customs, on transport and health services . . . all the information you need to avoid delays and difficulties, and to make your visit a success.



V.C.10 Super Jet Service				
		Tue. Fri.	Wed.	Sun.
LONDON	Dep.	13.30		09.45
AMSTERDAM	Arr. Dep.			10.35 11.25
ZURICH	Arr. Dep.			12.40 14.00
ROME	Dep.		17.15	
ACCRA	Arr.	18.45	21.45	18.45

Get full details of Ghana Airways routes and timetables from your local travel agent, or write direct to:
LONDON: Ghana Airways, 8 New Bond Street, London, W.1 *Telephone: Hyde Park 1791 or Victoria 8121*
AMSTERDAM: K.L.M. Royal Dutch Airlines, 1/3 Leidseplein. *Telephone: 731212*
ZURICH: (Agent) Alitalia, 37 Pelikanstrasse. *Telephone: 273533*
ROME: (Agent) Alitalia, Viale Maresciallo Pilsdski 92, Casella, Postale 255. *Telephone: 8777*
HEAD OFFICE: Ghana Airways Corporation, Ghana House, Accra

Ghana Airways



THE GREAT AIRLINE OF AFRICA
Always at your service

THE ECONOMIST THIS WEEK

NOT JUST AMERICA
It is no good talking of the Los Angeles riots as "an American tragedy." They were caused by an explosive combination of two things—the frustration of modern urban-industrial life, combined with the igniting spark of racial resentment. Both phenomena exist, separately and together, in many other countries—which could suffer the same explosion **page 673.**

BLACK GHETTO IN REVOLT
The disaster in Los Angeles demonstrates that it is social, not legal, changes that are now needed to prevent racial explosions in the United States **page 692.**

JONES THE FACTS
The National Board for Prices and Incomes has a tremendous belief in getting the facts: one day it may get nearer to being able to change them. They certainly need changing in the printing industry **page 675.**

AMERICA TAKES WAR IN ITS STRIDE
The vast economy of the United States is absorbing readily, indeed almost with relief, the burden of the additional spending on the defence of Vietnam **page 693.**

HARVEST OF GOLD
For the second time in just three years Russia is buying enormous quantities of grain in western markets. Its return not only promises to underpin the world wheat market in the face of bumper crops in Canada, the United States and western Europe. There is an extra sweetener: the prospect of substantial sales of Russian gold through London for the first time since April, 1964 **page 713.** Outlook for the gold price **page 710.**

ODDS-ON POLITICS
The chances on Herr Willy Brandt can now be laid off at Ladbroke's of London. Political betting adds a new dimension to both political forecasting and stock exchange hedging: which does not make it a substitute either for Gallup polls or stock options **page 715.**

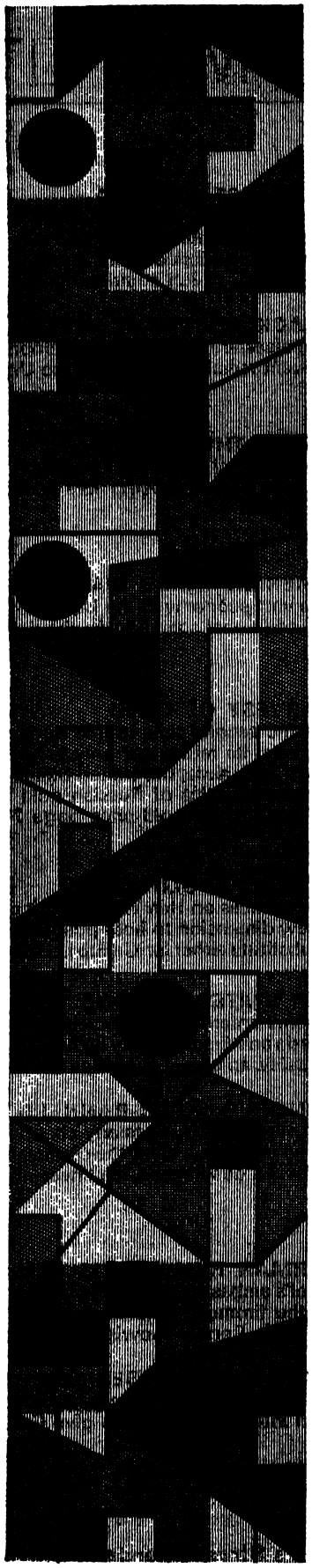
THE UNITED NATIONS GETS OFF THE HOOK
Disenchanted, the Americans are less likely to foot so many of the UN's bills now that the bid to get Russia and France to pay up has been abandoned. The "normalcy" that is now to be regained presents, in reality, an urgent challenge to the members as a whole **page 676.**

GENEVA'S BOMB-BANNERS
Although nobody sees any chance of a nuclear non-proliferation treaty emerging from the present round of Geneva talks, the confused state of play there is worth examining. While the nuclear powers seem still deadlocked, the "near-nuclears" have been voicing their rather different views **page 690.**

GERMAN REMORSE IS GENUINE
Israel's ambassador, arriving in west Germany, said some things cannot and should not be forgotten. By the firmness (and fairness) with which the west German courts are now dealing with nazi criminals, Bonn is showing that it too has not forgotten **page 683.**

CIRCE AND ULYSSES 1965
King Constantine of Greece has lured enough of wily Mr Papandreou's supporters away—and turned them into King's men—to give Greece another new government **page 685.**

SCIENCE IN CONSTRUCTION



In the construction industry of today the scientist is an essential member of the building team in the drive to increase productivity and efficiency. Research and development by Laing is part of a sustained programme to evolve new materials and techniques. Scientific methods of management and operation are also speeding the advance of industrialised building and Laing systems are completing high quality 'homes from the factory' in increasing number. Laing construction teams are backed by a scientific approach in the laboratory and on the site – achieving higher quality buildings and completion on time.

For completion on time

LAING

John Laing Construction Limited, Great Britain and Overseas.

Belfast, Birmingham, Bristol, Cardiff, Carlisle, Glasgow, London, Manchester, Newcastle, Nottingham, Southampton.

LTD/LC11

SECOND CLASS POSTAGE FOR *THE ECONOMIST* PAID AT NEW YORK, N.Y.
Published weekly every Saturday, fifty-two times a year in London, England.

LETTERS

Black Paper

SIR—Mr Ivor Richard claims (August 14th) that paragraphs 32 to 78 form the most important section of the white paper on immigration.

He is obviously not aware of the fact that stringent control along the lines of section 2 of the white paper will make integration more difficult. Moreover, paragraphs 32 to 78 contain only two new positive proposals, viz., a grant towards the salary of a trained, full-time, paid official, and a very vague promise of special finance for some local authorities.

For the rest, these paragraphs contain several unpleasant innuendos; pious hopes; a threat to adopt the policy of Birmingham corporation in dealing with houses in multiple occupation and extend it to all local authorities, enabling them to reduce the amount of housing available to coloured immigrants and also to segregate them in ghettoes; and the reiteration of the proposals in the circular of the Department of Education and Science which can have the effect of spreading racial prejudice in schools.

As for the Race Relations Bill—it is not merely that it does not apply to employment and housing, although recent events in Rowley Regis and in Wolverhampton will have shown how unfortunate that is. But the definition of places of public resort is so restricted that the Bill can be considered as a licence to discriminate in the areas that are excluded.

Your comparison of the 14,700 vouchers issued to Commonwealth citizens with the 42,500 issued to aliens is absolutely fair. Even if 19,000 short-stay workers are excluded, 23,500 is certainly markedly in excess of 14,700 and even more so of 7,500. And why can't Malta be treated as the rest of the Commonwealth today?

The saddest part of Mr Richard's letter is his defence of the extensive powers which are to be given to the Home Secretary. These powers would enable the Home Secretary to deport a student who arrived in this country to start a university course in October and did what most of his classmates would be doing, take a job at the Post Office at Christmas, or deport a youngster whose condition of admission was that he should register with the police, but who, four years later, changed his address and forgot to do so, or who became active in British politics and was considered by the Home Secretary to be an agitator.

The first would have no right to appeal. The second could appeal to the Chief Metropolitan Magistrate, but is unlikely to do better than did Dr Soblen.—Yours faithfully,

DAVID PITT
Chairman,
Campaign Against Racial Discrimination
London, E1

SIR—Your note on Cmnd. 2739 is typical of the upside-down thinking of the handful of cranks and pseudo "realists" who would control the policy of this country on coloured immigration. They have complete access to all mediums of publicity denied to their opponents.

The protagonists of coloured immigration twist and misrepresent as racialism those who would not only halt, but reverse the present policies. They scorn the protests and outcry of those who actually suffer the weight of coloured immigration instead of accepting as they should such objections as being a general consensus of the view of the country as a whole.

They trot out the usual hoary rubbish about transport and hospital manning instead of concentrating their propaganda on the overmanning prevalent in every field of economic activity. Remove this strangling cancerous growth from our economic vitals and we would be happy to export instead of importing immigrants and their hoards of expensive dependents.

The Americans would dearly love to wave a wand and banish overnight their racial/civil rights problem to the West Indies and Africa. Our few influential theorists dearly love to confuse objections in this country to coloured immigration with racial and civil rights strife in the USA and apartheid in South Africa.

Unfortunately for them, they fail singularly to impress the townspeople of Smethwick and Southall. Nevertheless, and despite the human relations and economic cost they persist that we are different from Cyprus, Sudan, Malaysia, India and her Untouchables and Quebec v. the rest of Canada.

Unless there is a reversal of our present immigration policy this country will ultimately be hoist with petards that will burst with ever increasing force. The theorists and cranks are kicking against the pricks of history, ancient and modern.—Yours faithfully,

F. R. BUCHANAN
Chelmsford

Southern Africa

SIR—What I found in your issue of August 7th was a welter of spleen and sanctimony against the white South Africans.—Yours faithfully,

R. D. M. DE LIMA
Orpington, Kent

*

SIR—In terms of Realpolitik how can you expect the Africans to look anywhere else except to China or Russia? And despite the oranges, the cricket, and the mining news, and despite Mr Macmillan's tears, the only thing a British liberal has in common with the Afrikaner is the colour of his skin.—Yours faithfully,

S. WEBSTER
Lewes, Sussex

*

SIR—What is really immoral in South Africa? Is it the fact that the non-whites have no franchise? In Switzerland, women are not granted a vote, yet the rest of the western world does not consider this so immoral as to try to correct it. Also one must consider the question whether the Africans care. Obviously, some do, but no democracy is run for the benefit of its minority group and there is abundant evidence to show that the vast majority of Africans in South Africa do not care at all.—Yours faithfully,

Küsnacht, Switzerland E. S. SCHURMANN

The Price of Learning

SIR—You ask (August 14th) whether the present university standards of education, of scholarship, of accommodation and of administrative efficiency are the right ones. Those inside the universities are declared incompetent to judge; those outside who accept them (the Commons Estimates committee) are declared gullible. Would not the "Brain Drain" to America be evidence that we are running our universities on the cheap?

You say that the UGC is unable to look closely at a university working on a million-pound scheme for halls of residence. On the contrary this would be capital expenditure and therefore subject to detailed financial control by the UGC. Your alternative to halls of residence—whole streets of scruffy houses bought outright—is known to universities already and is becoming increasingly unpopular with local authorities who have to rehouse the tenants.

You ask what should happen to a professor of Greek who has only five students. Well, what?

Finally you suggest that expanding degree-level work would be cheaper in technical colleges than in universities. The Robbins committee did not think so, because there is a shortage of digs in most towns.—Yours faithfully,

D. J. ROAF
Exeter College, Oxford

Plans for Farming

SIR—Might a farmer point out some of the dangers hidden in "Mr Peart's Shiny Package" which you welcome so unreservedly (August 7th)?

The plan to put all farming eventually on to a hired-labour basis (farmers who do not employ at least one hired man are written off as "uncommercial") ignores the acute shortage of skilled hired labour. This can only lead to "ranching"—a crime against future generations which will need all we can produce from our land.

The second danger is that the flow of enterprise and initiative into farming will be cut clean off. With no opportunity to get a start in farming (a one-man farm is the only way) the keen young man will have no choice but to emigrate.

The third danger is the disillusionment of the taxpayer, who will find little reduction in his subsidy bill. Milk is completely, and store stock largely, unsubsidised, and these are the chief products of the smaller farm.—Yours faithfully,

C. H. CLARKE
Richmond, Yorkshire

China's New Leap

SIR—Returning to England after having a look at the countryside in China I was inter-

Continued on page 667

"Hey, Dad! Bring me anything from Tokyo?"

"Dad" is flight captain on one of Lufthansa's Boeing Jets. He has just landed back in Frankfurt after 14 days' flying the Lufthansa Polar Route. Not flying all the time, of course! He never flies the entire distance in one stretch — flying time alternates with prescribed resting periods.

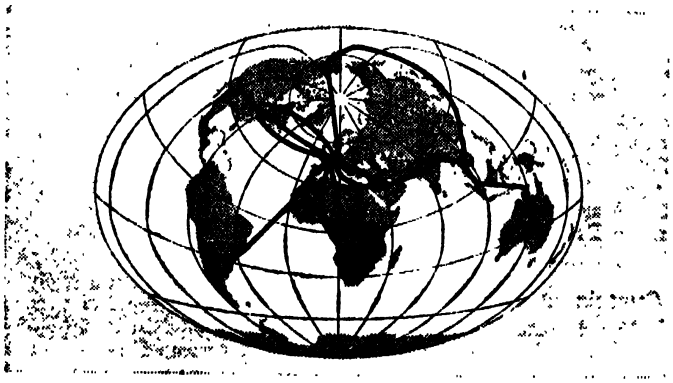
First Frankfurt — Anchorage; then a 3-day break. On to Tokyo — four days there. Anchorage again for another 3-day rest break, and home to Frankfurt.

Now he'll enjoy a few relaxing days with his family. And then? He'll make the big jump over the Pole again. Frankfurt — Anchorage — Tokyo — Anchorage — Frankfurt, again and again.

Though Frankfurt is really his home, like all Lufthansa flight captains, he is at home everywhere. Years of experience have made flying these routes nearly second nature. All well known, old acquaintances. Lufthansa captains have taken off and landed at the world's airports again and again.

Is it any wonder so many experienced passengers always fly Lufthansa?

Lufthansa — at home all over the world



Lufthansa

DLK 512/10

Continued from page 665

ested to see your correspondent's article (August 7th) about the leap and the limp in China.

Although I was in only eight of China's thirty provinces, I have little hesitation in saying that agricultural prosperity is what hits the visitor between the eyes this summer. Agriculture is not only the foundation of China's economy as a whole, but the most important source of raw materials for its industry, and the basis of the export trade that enables it to import equipment to accelerate industrial development.

My conclusion, after seeing quite a bit of both agriculture and industry, is that industrial production *and* productivity are increasing even faster than agricultural. Imported equipment plays its part in this, but the most striking evidence is the new Chinese equipment, from small electric pumps to complete rolling mills, and the universal zest for emulation in productivity.

It seems a little surprising that the Chinese should be taken to task for announcing a target of "*only* 11 per cent" increase in industrial production in 1965. Even assuming the actual increase is no more than that claimed—I believe it was more last year—it would perhaps be a trifle heady for us here to dismiss an increase in industrial output of 11 per cent as evidence of lack of dynamism in the economy in 1965.—Yours faithfully,
London, W1 P. A. TIMBERLAKE

The Concord Charade

SIR—While agreeing with your air correspondent about the "Jumbo sized VC 10," I wonder if Concord is another story. One of Britain's best potential markets is the United States; this aircraft will enable short trips to be made in reasonable comfort. I undertook an extensive business trip this year, which involved three inescapable overnight journeys; the first three nights completely without sleep I had endured since leaving the army. This sort of thing reduces one's enthusiasm for such trips.

On the other hand, a friend exhibiting at a recent Earls Court exhibition received four separate buyers who were making day trips from Chicago solely to see his exhibit. If Concord had been flying, he might have had 20 such visitors.

This potential positive contribution to our balance of payments seems to be neglected alongside the easy profits to be made from air tourism, for which the lowest fares are appropriate. It is astonishing to learn that Sir Giles Guthrie and his colleagues are so unaware of this dichotomy in their market, or so bemused by 20 years spent in the opium laden atmosphere of IATA, that they have rejected a differential fare structure. Concord travel is a much greater leap forward than from propeller to jet, and is worth extra, so that the aircraft can be operated profitably. Even when the American plane appears, and it is important to be well in front, Concord will have a role on the less dense routes, where low plane mile costs produce better overall results than the lowest seat mile costs.
—Yours faithfully, A. J. LUCKING
London, WC2

*

SIR—Having been refreshed and encouraged by your forthright comment of July 31st ("that Concord will never be built"), it was interesting, if predictable, to see the reaction from Mr Charles Gardner of BAC.

The view he conveys is clear if arrogant—that *outside* "the groups engaged in Concord" is the *last* place he would look for a "responsible group of men" or a "consensus of opinion"!

Such limited concepts of "consensus" and "responsibility" are quite inadequate equipment for developing anything—and especially a technology—that will stand up to a fully human environmental or economic appraisal.
—Yours faithfully, ROBERT L. DREW
Glasgow, C1 University of Strathclyde

Aden

SIR—You propose (July 31st) that the British government should stop teetering and take the plunge of sending a British minister to talk things over in Cairo.

I, like everybody else, am totally at a loss to understand why instead of standing firm in the face of violence, sabotage and terrorism you induce the British government to go the whole hog towards appeasement.

The struggle of Adenis for independence is laudable and the intention of British government to grant them independence in 1968 is also a wise move in the right direction. If the modern politicians and the hinterland's autocratic sheikhs are at variance, it is their business to sit together and thrash out a common ground. But if a third party must play the role of white-bearded peace-maker it is rightfully and appropriately the British government which has protected Aden from falling into the lap of others, or plunging like its neighbour, Yemen, into a chaotic and disastrous state.

So it is quite unintelligible why outsiders who have no right to interfere whatsoever should be invited to have a say in the matter and thus provided with a springboard for their further and more tangible encroachments.

Islam says sops to intruders are sins to God.—Yours faithfully, ALI HEMAMI
Teheran

Mr Micawber

SIR—It is surprising to find Mr Vladimir Derer (August 14th) accusing the Tories of "a naïve faith in the automatic efficiency of private enterprise." Until the recent advent to prominence of Mr Heath and Mr Powell there was precious little evidence of the existence of any real defenders of private enterprise in this country. By now a generation of Britons has merely had the political choice of Brand A or Brand B of socialism and has no direct experience of the functioning of competitive private enterprise in mid-twentieth century conditions. And yet private enterprise has been shown to work extremely well in the last 20 years in North America, western Europe and Japan, together with reasonable modern social services and relatively full employment.

To advocate even more state intervention—unless this is aimed at creating a truly competitive environment for private industry—would merely cause us to sink further into stagnation.—Yours faithfully,
Kenley, Surrey A. F. LOWELL

Germany Moves Left?

SIR—Am I your 75,000th reader to ask when Germany started to drive on the left-hand side of the road, as illustrated in the article from your Bonn correspondent (August 14th)?—Yours faithfully, T. NORTON
London, SE10

Not quite.—*Editor.*

Canada

SIR—What on earth does Mr W. J. Jones, of the University of Alberta, mean by saying (July 31st) that "much" of the "Anglo-Saxon traditional element" in Canada "is confined to British Columbia"? Has he ever visited Ontario or the Maritime provinces or Newfoundland? And where, in these five provinces (one of them the most populous in the country) would he find any appreciable number of the "English-speaking majority" not "all averse to a system of two cultures" but only "denying that one culture should be French"?

There were some wild things in your report on Canada, but there was nothing wilder than these statements of Mr Jones.—Yours faithfully, EUGENE FERSEY
Ottawa

British Aid

SIR—In your commentary (August 7th) on the white paper on overseas development, you suggest that Mr Sandys's charge was that British assistance was falling far below the target level agreed at the Untad conference. Surely Mr Sandys was arguing that, as a result of the positive discouragement of private investment in the Finance Act 1965, from now on the resulting shortfall will have to be made up by increased government aid if the 1 per cent target is to be maintained. Granted the government aid level for the coming year may increase slightly because of commitments entered into by the former Conservative government. Mrs Castle's assertion that "there is no reason to expect that we shall fall below that target at any time" would seem no more than a pious hope.

How sad, after the sweeping Labour party promise in its general election manifesto last October that "Labour will increase the share of our national income devoted to essential aid programmes," that there should be the prospect of an actual falling off in the overall level of British aid.—Yours faithfully,
London, SW3 JOHN UDAL

PAPER BULLETIN

A quarterly publication of the EIU provides an objective analysis of the UK paper and board market for paper makers, users, stockbrokers and advertising agencies.

In the latest issue:

THE SUPPLY OF FLUTING IN THE UNITED KINGDOM

THE TREND IN BRITISH PAPER AND BOARD OUTPUT

PULP AND PAPER IN PORTUGAL

Details and subscription rates from:

THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St James's Place London SW1
HYDe Park 6711 ext 27
60 East 42nd Street New York NY 10017
Murray Hill 7-6850

North American Aviation built the rocket engines that launched all six Project Mercury astronauts. Now it is building the Apollo spacecraft to carry Free World astronauts to the moon.

Man's landing on the moon will open new frontiers throughout the solar system - and here on earth. In this pioneer effort, North American Aviation plays a major role as a prime contractor to the National Aeronautics and Space Administration. The Apollo command module, the adjoining service module, and the second stage of the Saturn V moon rocket are being built by the NAA Space & Information Systems Division. NAA/Rocketdyne Division is building the rocket engines for all three stages of the Saturn rocket which will launch the Apollo spacecraft. North American is also a leader in nuclear energy, electronics, aviation, life sciences, and fundamental research.

North American Aviation

European Headquarters: North American Aviation S.A., 29 Rue de la Coulouvrenière, Geneva, Switzerland

Industry Builders!

CEKOP blue-print complete industrial plants, erect them, put them into operation. Complete projects by CEKOP include full technical and technological documentation for the delivered plants, as well as on-the-spot supervision of assembly and initial operation. CEKOP do all this for the following industries:

MACHINERY · POWER · BUILDING & BUILDING MATERIALS · CHEMICAL · SUGAR · AGRICULTURE & FOOD as well as smaller factories of various types.

For full information write direct to: **Cekop, Foreign Trade Enterprise, Koscielna 12, POB. 367, Warsaw, Poland. Telegrams: CEKOP WARSZAWA. Telex: 81234**

CEKOP

Grinding the threads of a large Easicut ground thread tap.

Checking the threads of an Easicut ground thread tap for accuracy.

Skill and Science

Accuracy in manufacture,
rigid standards of testing.
This is E.S.C.'s basic philosophy
and one that applies to the
whole range of their activities,
from the mass production of
ground thread taps and twist drills
to individual forgings and castings
up to nearly 200 tons weight.
Despite such varying scales of
operation, the means of realising
the philosophy are similar;
the continuous development of
an amalgam of skill and science,
that combines today's most advanced
metallurgical discoveries with the
experience of the master craftsman.

ESC **leads the way**

Principal operating companies of the English Steel Group

English Steel Forge and Engineering Corporation Limited. Heavy, medium and light forgings—machined or black—for the electrical, marine, structural, chemical, transport and general engineering industries; drop forgings for aircraft, automobile and general engineering.

English Steel Rolling Mills Corporation Limited. Carbon and alloy steel billets and bars, high speed steels and tool steels.

English Steel Castings Corporation Limited. Steel castings ranging from 185 tons to a few pounds in weight for the railway, electrical, marine and heavy engineering industries.

English Steel Spring Corporation Limited. Laminated and coil springs for automobiles, railway rolling stock and locomotives and for general engineering purposes.

English Steel Tool Corporation Limited. Engineers' cutting tools, files and hacksaw blades.

English Steel Magnet Corporation Limited. Permanent magnets and magnet alloys.

The Darlington Forge Limited. Steel forgings and castings for the marine and general engineering industries.

Taylor Bros. & Co. Limited. Monobloc wheels, disc centres, tyres, axles and complete wheel pairs for railway rolling stock.

Modern Hardmetals Limited. Tungsten carbide tips, cutting tools and dies; welding rods; hot pressed products.

ESC
ENGLISH
CORPORATION LTD.
River Don Works, Sheffield
STEELMAKERS FORGEMASTERS
STEELFOUNDERS ENGINEERS

Member company of the Vickers Group and associate company of Cammell Laird & Co. Ltd.

OUR EXPORT MANAGEMENT is a **fully comprehensive service. It can provide everything** up to the export of complete plants—and includes assembly **of manufacturers, full design facilities, shipment** and erection of components, finance, overall supervision. Typical **contracts carried out by Taylor Woodrow** Building Exports Ltd. include "all-in" package deals for textile and jute mills, **industrialised agricultural** units, packaging plants, canning factories, mechanical handling facilities in storage units, **etc. Over the** last 21 years we have exported in this way capital and other goods to the value of many millions of pounds to over 120 countries. If you wish to sell or manufacture anywhere in the world, or have **overseas enquiries which present difficulties**, our Export Management Service, and the knowledge and specialist skill of our Project Managers, may well be the answer

TAYLOR WOODROW Building Exports Limited

41 WELBECK ST · LONDON · W.1 Phone: HUNter 6666 · Telex: 261249 Call back. Tayrowcen, London Cables Troproof, London

TAYLOR WOODROW LIMITED are sponsor members of the Arcon Group, of which the other members are:—HENRY HOPE & SONS LIMITED · IMPERIAL CHEMICAL INDUSTRIES LIMITED · STEWARTS AND LLOYDS LIMITED · TURNER AND NEWALL LIMITED · THE UNITED STEEL COMPANIES LIMITED · HAWTHORN LESLIE (BUILDINGS) LIMITED

© YANYPECO,65

THE PACE-SETTER

(Pace-setters savour Sabena's gift for in-flight charm)

You are to be congratulated for your discovery of a really clever comedian. They are so seldom found these days. You told us about him on your last flight over. Remember? And we decided to take in a performance. Oh, we see he's coming over to your table. Will we join you? Why, we would be delighted! As we were saying to a friend only the other day, one can always be a pace-setter, like yourself, of course. It's your ability to find truly talented people. It goes with your unerring skill for picking the best.

It's obvious. You fly with us. You fly Sabena.

IATA

SABENA

BELGIAN World AIRLINES

SABENA, THE ONLY INTERNATIONAL NETWORK HOMING ON BRUSSELS, HUB OF THE COMMON MARKET

The Economist

AUGUST 21, 1965

Not Just America 663
On Our Doorstep 674
Jones the Facts 675
The UN off the Hook 676
Going Commercial 677

COMMENTARY 679
Holiday Politics; Holiday Economics; Germany's Election; Britain and Indonesia; Yemen; Urban Research; Congo-Brazzaville.

THE WORLD
INTERNATIONAL REPORT
The remorse is genuine 683
Malaysia and Singapore; Greece; India; Poland; Algeria; Disarmament; Russian Writers; São Paulo.
AMERICAN SURVEY
Black Ghetto in revolt 692
Taking War in its Stride; Underwater Industry; Aid Out of the Woods; More Military; Curtains for Camelot; Two-price Gas; Missiles up to the Minute.

BOOKS
Health and Society 702
LETTERS 665

BRITAIN
Gone to Ground 700
Drug Addiction; Polio; The Economic Consequences of Mr Manry.

BUSINESS BRIEF:
Outlook for the Gold Price 710

BUSINESS
Harvest of Gold 713
Odds-on Politics 715
BRITAIN 716
The Economy; Sterling; Popular Banking; Atomic Power; Diesel Engines; Lifts; Ports; Aircraft Diversifying; Offices; Building Labour; Death in the Mines; Ship Repairing.
INTERNATIONAL 724
Australian Budget; South Africa; Japanese Shipbuilding; Soviet Union; Aid and Development; German Economy; Soviet Oil; Swiss Banking; French Engineering; Indian Fertilisers.
INVESTMENT 730
Shipping; Unit Trusts; Insurance; George Kent; Vickers/R. W. Crabtree; Pottery Companies; In Brief.

Stock Prices and Yields 745

Annual Postal Subscription by ordinary mail UK £6; overseas £6 10s.; by air, see page 740.
VOLUME CCXVI - NUMBER 6365

Not Just America

It is not just an American tragedy. The riots in Los Angeles have sent the leader-writers reaching for that good old standby from Dreiser. The communists have seen it less as a tragedy than a morality play, but have been just as ready to claim that the outbreak was peculiarly American; the Peking *People's Daily* even salutes it as a rebellion against President Johnson's imperialist foreign policy. All this is nonsense. What happened in Los Angeles is pretty certainly going to happen in many other countries, both capitalist and communist, as the conditions that caused it spread to them. This was an American phenomenon only in the sense that the United States is half a generation ahead of the rest of the world in the development of an industrial urban society with the special problems that brings. It has the first taste of both the pleasures and the terrors of this new sort of life.

For the Los Angeles riots were the product of two causes, neither of which is peculiar to America. The first has nothing to do with race. For all the anti-white slogans shouted by some of the rioters, the essential news from Los Angeles is that many of them were moved by something quite unconnected with the colour of their skin. "This was no race riot; they were just stealing," one negro store-owner is quoted as saying. That is too simple; they were also, after all, sniping and fire-raising and generally rampaging. (For a report on the Watts community in Los Angeles see page 692.) But as in Harlem and Rochester last year—quiet so far this year—the majority of the rioters were young people caught up in an explosion of violence against authority—any authority, but usually the police, the authoritarians they have run foul of in their everyday lives. This was an insurrection, but not against the economic order (which is the marxist fallacy) and not even chiefly against white men's domination (which is going to be the Afro-Asian fallacy). It was an insurrection of anarchy, an outburst against any kind of system by the people left at the bottom.

Outbreaks like this are part of the price we are going to pay for a society in which more and more people live in cities and do deadly dull work and waste their leisure. One of the problems of urban-industrial life is that it creates communities of the left-behind. These are the people who do the dullest jobs of all, and are the worst paid, and live in the ugliest parts of crumbling old towns. They have a high rate of illegitimacy and broken marriages. Their religious and cultural roots have been cut. Materially, they are better off than their peasant grandfathers were, but cramming a man with distressful bread has never made him contented—quite the reverse. These people know they are a community of the untalented, because a modern state needs to skim off the people with talent and by and large does skim them off. The rest sit and simmer. They know they are the natural bottom layer; they have been deprived of the social and religious consolations of the old rural life; there is no legal outlet for young male violence; and every now and then they go bang.

Many of the Los Angeles rioters are brothers under the skin to the baffled young men from London and its suburbs who spend their holidays stomping along the front at Brighton and Margate, or breaking up bars in Calais and Ostend. Their fathers got into fights at football games, or satisfied a dim ancestral prejudice by chasing second-generation Irishmen in Glasgow or Jews [illegible]n. They were trying to prove that they belonged to something. The

elder sons ripped up railway carriages. It was their way of not belonging. Now the youth of the bottom layer takes it out on the town—and even the seedy parts of their towns have more than ever before to take it out on. The Swedish police were having trouble a decade ago with young toughs raising hell in the centre of Stockholm; in the bad things as well as the good, Sweden is America's closest follower on the march to the sort of society most of us will be living in by the year 2000. The Czech police had a first taste of the problem a year ago when young hooligans disrupted Wenceslas Square in Prague. Not even the Russians are immune. The passionate violence of the riots in Novocherkassk a couple of years ago, which probably killed more people than the Los Angeles riots, can no more be wholly explained by their ostensible cause—a rise in food prices—than the Los Angeles outburst can be wholly explained in racial terms.

What has happened since 1945 is that the younger members of this community of the left-behind now have better means of transport and a wider range of weapons, at any rate in western Europe and north America. This makes the violence more noticeable; motor-bikes and flick-knives on a south-coast esplanade, or car-drivers lobbing fire-bombs into Los Angeles stores, make for bigger headlines, especially in the silly season, than a fists-and-boots brawl outside a back-street pub. But at the same time the frustration that lies behind it all has grown sharper, as the hierarchy of modern industrial society takes clearer shape. For those at the bottom, life presents a still more dismal picture when it is not God who calls men to their stations in life, but the unappealable selection processes of economic life.

Russian sociologists have told western colleagues that they are deeply worried about this. So they should be. Communism and capitalism are rival mechanisms for supplying material plenty. What neither of them has thought out, and what both are going to run headlong into by the end of the century, is the problem of the needs left unsatisfied by relative abundance: how to make routine work bearable, how to help people use their leisure, how to stop them dying of boredom—or killing from it.

But there is the second factor. If part of what made Los Angeles go bang had nothing to do with race, the other part certainly had. Outbursts like this can and will happen when the frustrated bottom-layer people are racially indistinguishable from those who live around them. When they are picked out by the colour of their skin as well, the worst happens. They believe—some of them rightly—that they could have risen out of the ghetto of the left-behind but for their colour; they band together with a double grievance. Los Angeles is a model of the most explosive sort of situation that the growingly urbanised, growingly race-mixed world of the 1970s and 1980s will have to cope with.

In one way, it may be a help for a pressured community to be able to identify itself by its colour. The white proletariat of America and Europe is leaderless: the best of each generation are plucked away from it to take a comfortable place higher up—in the communist world, where they are absorbed into the ranks of the *apparatchiks*, just as much as in the West. The potential leaders of a coloured community, by contrast, stay attached to their community by their colour,

On Our Doorstep

Racial trouble in Britain this year has not so far—touch wood—had too much to do with black and white. There have been over a dozen cases of arson or attempted arson against synagogues or other Jewish communal buildings in London alone within the past year: and there have been many other more or less violent attacks on Jewish homes, places of worship or graves up and down the country. No doubt the attackers are a tiny as well as a twisted group of people. If, as one suspects, they were hoping for publicity for their views as a result of these outrages, they have failed.

The Board of Deputies of British Jews is extremely discreet in answering questions about the wave of anti-semitic incidents, relying carefully on parliamentary replies from the Home Secretary and suchlike anti-sensational material. The result is that the press has made nothing considerable of what could have provided real silly-season fodder, and the police are able to keep a discreet and watchful eye on property that might be menaced.

The situation of Britain's latest wave of incomers is precisely the reverse. The remarkable thing about this summer has been the dearth of genuine stories about colour trouble, and the disproportionate amount of newspaper space devoted to the non-stories. This year, colour trouble is news: old-fashioned anti-semitic fascist trouble is not.

No doubt an important factor is the plethora of readily available "spokesmen for the immigrant community." It is highly doubtful whether there is such a thing as a homogeneous immigrant community at all. The West Indians are not a community in any acceptable sense of the word: for one thing, they themselves like to insist on the differences between the people of the various islands (or at least between small-island and big-island people); and for another very many West Indians regard themselves as British, which indeed they emphatically are by culture.

Asians are perhaps even more fragmented into separate communities: in one place a Sikh temple, in another a mosque, and in another an Indian social club may provide a focus for a local group. But there is no one voice. In a few places a social, religious or quasi-political club, very often including native English people, may provide a forum for immigrant opinion. But this is rare, and it is rarer yet for such an organisation to be truly representative. Most immigrants are in Britain to better themselves: they prefer not to mix in public affairs.

Considerable difficulty arises from the extravagant claims to representativeness put forward by some would-be spokesmen, and from the amazing gullibility of some newspapermen about these claims. One diverting character from the West Indies has turned up in almost every possible part over the past few years—in a Jewish skull-cap as Rachman's ex-doorman, in a fez as Malcom X's disciple over the water, and as a strike organiser. Some people can be codded all the time.

Now the moment has come when it would be good if there were some slightly representative organisation for coloured citizens in Britain: the white paper on immigration and the Race Relations Bill each in their different ways create a function for such an organisation. Maybe the aim is unattainable. But it would be useful if some body could play an anti-incendiary part similar to that of the Jewish Board of Deputies.

There is one body which could become a central forum for immigrant opinion, the Campaign Against Racial Discrimination. Card had, until recently, been in danger of looking too much like a Labour party front organisation to win acceptance as truly representative. The new measures on immigration have averted that danger, if nothing else.

and may be a force for moderation. But even this hope is a limited one. The potential leaders may not be able to take command of their communities. And if they can take command, they may not stay moderate, or they may be pushed aside if they do. What could Martin Luther King, effective in the disciplined South, do for the troubles of rootless Los Angeles?

The mistake no one should make is to think that this is only someone else's problem. People still talk as if the racial conflict in America was in a category of its own; or as if the only significant race confrontation was the one between black and white men. The whites are certainly going to be in the middle of a rolling race row for years to come, if only because for the last couple of centuries they have been in a position to be beastly to everybody else, and everybody else is now in a mood to get his own back. But the world's record even this year should explode the idea that this is all there is to it. The week of the Los Angeles riots was also the week when Malaysia broke apart because brown men could not control their dark suspicions of yellow men, and when black and brown men resumed their efforts to slug it out in southern Sudan. All the evidence is that there is potential trouble wherever people of different colours rub shoulders uneasily together. The history of the black-brown dividing line in independent Africa in the last five years—with splits opening up in Sudan, in Mauretania, in Chad and between Somalia and Kenya—makes a man's heart sink into his boots.

Race is the most visible, and thus the most potent, of the things that make one lot of men feel different from another lot; and as long as they feel different, they find it difficult to muck in together in any common venture, whether it is sharing a boarding-house or running a country. This is lamentable, but it is not much help lamenting it; it is one of the rock-bottom facts of political life. The communist Europeans have been learning the lesson since communities of colo. students began to live among them. Even relatively minu distinctions within what is generally accepted as a single race produce the same effect. Nobody who has listened to the comfortable burgers of Germany or Switzerland talking about their Italian, Greek and Spanish workers—or the workers talking about them—can help wondering how long it will be before these countries suffer their own minor-key variations on the Los Angeles theme.

Heaven knows how it will work out; certainly no politician, communist or democratic, shows the faintest sign of knowing. It is the most preposterous counsel of despair to argue that each race should henceforth retire to its own corner of the earth, and stay there. The industrialised world needs workers from the developing world to keep up the momentum of economic expansion. It is in the interest of the developing world that this momentum should be kept up, and that communities of white men should live in coloured countries to start them on the same way.

The only hope—and it is a thin straw to clutch at—is that as people of different colours mix with each other they will gradually lose the sense of difference that inhibits collaboration between them. There are some people—the ones around the Mediterranean, for instance—who have never felt the sense of difference very keenly: though even that is not true of Palestine or Kabylia. There are others, like the West Indians, who have slowly come to find it a little less important than others find it. There is the East Indian community in Holland, where the Dutch have made a better effort than anyone at integration. It is something. Meanwhile, as the races go on jostling each other, and as the race problem exacerbates the other problems of our industrial society, anyone who points a finger of scorn at the Americans over Los Angeles is calling the same beastly experience down on his own head.

Jones the Facts

The National Board for Prices and Incomes is evolving a style of its own: one day, perhaps, it may get results

ONE begins to wonder how Britain keeps afloat at all. The latest catalogue of national bumbling is delivered this week by Mr Aubrey Jones's prices and incomes board, in its second report,* and its first on a wages issue. It considers the national wage bargain reached in May for workers in the printing industry, excluding the national newspapers. The way in which printing wages are fixed, according to Mr Jones, is symptomatic of wage negotiations in British industry. If he is right (and he probably is), management and unions can be compared to two over-weight wrestlers, stumbling about in a mud-bath with the lights switched off. There is sheer ignorance on both sides of what they are about. The consequence is that "output per man hour has risen only slowly, earnings have risen rapidly, profits have fallen and prices have risen." Help!

Help is what the board tries to provide. It does not apportion blame for past errors. It even excludes from its consideration of whether or not the printers' last pay rise was inflationary the fact that this pay rise came hot-foot after one given in January, under a long-term wage bargain struck in 1962. The board sternly condemns cost-of-living escalation in wage bargains, and wage-price escalation clauses in contracts agreed to by the industry's customers. But bygones are bygones: the board has so much to criticise in the new bargain that it has no time for the old one. For the new bargain provided for an increase in basic pay of 3.5 per cent in May, and a further increase of around 5 per cent (depending on the cost-of-living index) next January. It is, moreover, quite clear that plant bargaining and wage drift would push average earnings up by a greater percentage than the increase in basic rates. In this, too, printing is like the rest of industry.

But however generally applicable the board's description of printing's ways, it declines to draw the consequences for all industry. Mr Jones himself resists every attempt to foist generalisations upon himself or his colleagues. Particular facts are what matter: the danger is that generalisations may

* Wages, Costs and Prices in the Printing Industry. Cmnd 2750. Her Majesty's Stationery Office. 3s.

obscure them. The employers, for example, claim that prices will in general have to go up as a result of the increases in wages. They also claim that increases in productivity of between 10 and 25 per cent could be possible with existing plant, given full co-operation from the unions in getting rid of over-manning and other restrictive practices. If both these generalisations are put together, they are seen to be incompatible: if the productivity increases are possible, then the price increases are unnecessary. So that is the problem to be tackled now. The workers' fears of redundancy should be reduced by introducing transferable pensions throughout the industry; and present steps towards union amalgamations should be pressed ahead, with the aim of getting a single industrial union for all print workers, with no restrictions on transfer between one craft and another, or from unskilled to skilled status.

The board proposes, moreover, that a joint manpower committee should be set up within the industry, under an independent chairman. Presumably it would do something like the job that a joint committee under the independent chairmanship of Lord Devlin is doing in the newspaper printing industry. Mmm. Pretty soon the Government will have to set up a committee of independent people to study the manpower requirements of the independent chairmanship industry.

Committees have a well-known propensity to propose further committees: fact-finding bodies equally have a propensity to recommend the disclosure of facts. The Jones board does both. It would like its printing manpower committee to have a staff to collect information, and to consider the registration of all pay increases given in the industry. It really is rather odd, in a report that extols the virtue of competition—or at least that urges the print industry's customers to resist price rises, which presumably means shopping around—that the board's proposals would establish the preconditions for a cartel, covering both wages and prices, of an almost unprecedented strength.

Again, the board suggests that more information about the industry would be available, and more rational decisions thus made possible, if private firms were compelled to publish figures about their profits. (This is an industry of tiny firms, with an average of under 38 workers per firm in general printing: many of these concerns are private, and publish no information about their finances.) There are very good reasons why private firms should—as the Jenkins committee on company law suggested—be compelled to publish full figures. But the board seems to imply that the level of profits should be taken as a guideline for wage rises, which is entirely wrong in principle. This is an industry that is supposed to be becoming more capital-intensive. The firms that make and retain profits are the ones to help this along.

The critic of Mr Jones must inevitably feel a touch uncomfortable—like a sceptic at a seance, he wonders whether his scepticism may not of itself prevent the flow of ectoplasm. So much of what the board is trying to do is good: so many of its recommendations are clearly right. The vice-chairman of the Jones board, Mr Dewdney of Esso, knows about productivity agreements, with the Fawley refinery policy behind him. Last week he was arguing that the alternative to a voluntary incomes policy could be "enforcement either through unemployment or through controls on prices and wages, or both." Too true. So far the board rates one cheer for trying, one for half-succeeding in saying the right things. Perhaps it may rate three in the end. But this report reinforces, rather than abates, the worry about whether its job is one that can be done at all.

The UN off the Hook

The new American move in the UN challenges the mass of other members to take over more of the load

Kiss of life, or kiss of death? Both cheers and groans greeted the long awaited American move at the United Nations on Monday. A reluctant prince, Mr Arthur Goldberg, making his first speech as successor to Mr Adlai Stevenson, slashed through the procedural brambles, stooped over the seemingly spellbound UN and freed it from the threat of another procedural deadlock when the Assembly reconvenes in September. The Assembly's nineteenth session was frozen by the dispute over the Charter's Article 19. Its twentieth is to conform to the undisputed Article 20, which says: "The General Assembly shall meet in regular annual sessions. . . ." The organisation moves from its 'teens into its third decade under the sober slogan, Back to Normalcy.

Relief is widespread among those who thought the UN, if not dead, at least paralysed by its financial dispute, and may now assume that all's well with the world again. On the other hand there are those who, like the *New York Herald Tribune*, bewail a "surrender" that gives Russia "a paralysing veto over the Assembly as well as over the Security Council." Both views are wrong. But the fact that both are widely held has made it the harder for the UN's well-wishers—particularly for President Johnson and his advisers—to judge which course of action can give it the best chance of developing into a better instrument for keeping the peace.

As Mr Goldberg said on Monday, it is still the official American view that all members ought to share the costs of peacekeeping operations, that the Assembly can apportion those costs under Article 17, and that defaulters should lose their Assembly voting rights under Article 19. The United States—and Britain and others with it—will not now press the argument further, because there is clearly a consensus among members that the next session should be conducted on normal lines. (As for pressing matters to the point of an open showdown with the chief defaulters, Russia and France, not even the Americans have shown any eagerness to do that at any time during the nineteenth session.) In the long run, the Americans still express the hope, as do others, that the UN will make a reality of the principle of full collective responsibility; meanwhile, the existing facts have to be faced.

The hardest of these facts is that, if a particular UN peacekeeping operation (no matter how it is authorised) displeases a member state, that state cannot be forced to help pay for it. If major powers cannot be forced to pay, smaller states cannot either. True, Ireland has just suggested a plan under which the only members exempt from assessment would be those great powers that dissented from a particular operation. But it is hard to imagine the mass of members swallowing such an enlargement of great-power privilege.

For the time being, then, these operations must rest on forms of voluntary financing. There may be only a few volunteers—as in the Cyprus operation; in some crises there may be a more general readiness to chip in, at least with token payments; but the basis will be essentially voluntary. This means a hard row to hoe for the Secretary-General and his staff, who have to keep rattling the collecting box and staving off the creditors. But these pains are not new to them. Such a situation does not mean paralysis; nor does it mean that Russia will get "a veto over the Assembly."

There has been much uninformed talk in recent months about a supposed "return to the Council," a supposed collapse of the pretensions of the mass of Assembly members to have any say in peacekeeping matters. Those who do talk like this seem impressed by a mere increase in the number of Council meetings during the past year. They forget that many of those meetings represent only the long weeks of bitter, damaging and sterile debate set off at the end of 1964 by the landing of Belgian airborne troops at Stanleyville; and that others represent the more recent debate on Rhodesia, which ended with the carrying of a resolution although America, Russia, Britain and France all abstained. That unprecedented event, should, by itself, have punctured the notion that the mass of members is now tamely accepting the great powers' reassertion of the grip they held in 1945.

And General de Gaulle is not alone, among those who see or seek a return to the Council, in seeming to forget that it was the Council, not the Assembly, that authorised the Congo and Cyprus operations. Although France and Russia refuse to help pay for these operations, they have never used their veto power to stop them. Only one UN force, the one that is still policing the Egypt-Israel border, has been based on an Assembly resolution. Since 1956 the Council, far from being "paralysed by the veto," has passed a whole series of resolutions authorising and continuing peacekeeping operations. These were not vetoed for the good reason that those great powers that disliked them (Britain, at times, being one) feared that a veto would cause the Assembly to step in and do the authorising itself. Of course the Assembly cannot command the nations to provide a force; it can only ask for one. But that is all the Council has ever been able to do.

Such peacekeeping work as the UN has succeeded in undertaking rests on this complementary relationship between Assembly and Council, and will continue to rest on it. Russia and France want the Assembly kept out of the business altogether; but on this basic issue the great majority is against them. Hence Moscow's indignation at U Thant's and Mr Quaison-Sackey's recent statement of "guide-lines." The statement merely reflected the broad consensus already expressed in the special committee of 33 that has been groping since March for a policy on future peacekeeping work.

It may be a long time before any clear policy is formally adopted. Until it is, the UN will have to go on improvising, and relying on its discovery that even veto-wielding great powers will often reluctantly tolerate an international action that they dislike, so long as they do not have to vote for it or pay for it. But the latest turn of events will mean a real setback only if there is now a failure of will among those who want the organisation to develop. If the disenchanted Americans are no longer willing to pay the greater part of the peacekeeping bills, so much the better. In its twenty-first year, it is time the UN stopped sponging on Uncle Sam. If Mr Harold Wilson is going to try to stir the coming Assembly with a call for a stronger UN, he should start by urging the members to look less to Washington for succour.

On its twentieth anniversary, Mr Thant reminded the smaller members of the "fundamental truth" that they need the UN most, and that its future rests primarily with them. The less it is sustained by America, the more they must do to sustain it themselves; the less it is overshadowed by America, the greater their incentive to sustain it. Has this year's painful experience taught them that they cannot afford to let its peacekeeping function remain so decisively dependent on the financial support of one or two powers? If not, it may well be said that the Article 19 crisis did not last long enough. "Back to normalcy" is not, by itself, an adequate slogan with which to meet the new challenge.

Going Commercial

Not everyone in the BBC's enchanted circle is against advertising

THE young conservative brass at the top of BBC television—Messrs Wheldon, Peacock and Attenborough—has done its programme planning for the autumn. Its aim is to claw back some of the corporation's dwindling share of the audience: in July the BBC itself claimed only 41 per cent, the lowest for four years. In the coming months BBC-2, a shyer and wiser animal than the one that fell flat on its face in London a year ago, will push itself farther into the north and west. Its aim is to keep the anti-ITV programming competitive when BBC-1 is doing its duty according to the sibyl-line code of the Reiths and Pilkingtonians. And quite right, too. If the BBC is not going to show fight now, it never will.

But what are they going to use for money? They have got a £5 receiving licence. That's what, and that's all. This is still 15s. less than the licence fee the corporation was asking for back in June, 1962, before it really knew what it was taking on with its second channel. Since then the BBC audience has slipped, production costs have risen, and the expensive world of Comsat has swum into everyone's ken. There will be colour one day (the National Broadcasting Company is about to use it on its *news* programmes in the United States).

There will be longer broadcasting hours. There will be real international competition as the public takes programmes direct from other countries' propaganda satellites (just as it listens now to the pirate radio London and radio Caroline). Television is not at a cosy, developed stand. It is about to leap ahead into something of infinite reward and infinite cost.

But let us take just the next three years, by the end of which the BBC must expect, under whatever government, the emergence of a second commercial channel in the main centres of population. It may also face commercial radio. What will the £5 licence be worth then? And what odds will the top brass give that Sir Hugh Greene or the Angel Gabriel will, three years from now, have screwed the politicians and the pensioners into even a £5 15s. licence? The crucial calculation for the corporation is that through the 1950s and early 1960s the growth of the total television audience brought a rapid, regular growth in the licence revenue. Now the audience has reached saturation and the revenue has levelled off. It may be that the next stage of television viewing, the increase in the number of small, portable sets, will lift licence revenue, but it will not be enough to offset the increased commercial competition that these sets will stimulate.

Whoever the next director-general of the BBC is, he will be in a pretty pickle. He will have to dun the politicians for a bigger licence: which might just work out at one hoick-up per new DG. Or he will have to confess himself the government's pensioner by accepting a straightforward subsidy, which would be hopelessly exposed as the softest of soft underbellies to any chancellor's knife: this is something Sir Hugh Greene has wisely set his face against. Or he will have to take advertisements. The cries of horror and alarm at this are not quite as loud, or as confident, as they once were.

It happens that the BBC's General Advisory Council has been thinking about this lately. It did not think very long or very hard. The bulk of the council's membership is not exactly hand-picked for such a task. But it is stunning that there was even a small band of realists who stuck to their guns. The council's discussions are not public. But it seems that the proposition was put that BBC-2 should go commercial (not wildly commercial, but as commercial as *The Times* and the *Sunday Times*) and that the Light Programme on sound radio should do the same. Of course it did not pass. The seducers are not allowed into the General Advisory Council as easily as all that. But the idea is getting about. It is one that many bright young producers and directors of the BBC itself do not find abhorrent. They do not think commercialism, properly handled, need hurt their independence or their enterprise. They know the problems ITV has; they are also aware of certain of its advantages. The real resistance to advertising comes higher up in the corporation's hierarchy, among the men imbued with the idea of the BBC's own message, their minds formed by the accepted philosophy of the 1930s, their prejudices a mixture of mild left-wingery and social snobbery, the precise compound that has always damned advertising and commercialism throughout British life.

This element in the BBC clings to what it calls the public service purpose of broadcasting. It is a worthy, if sometimes indefinite, idea, and it is not to be sniffed at. Because the BBC developed it, it has been built into the ethos of the Independent Television Authority, which has been prepared to show, from time to time (including this week), that it is capable of upholding standards too. No one is suggesting that BBC-1 should go commercial under the system put to the General Advisory Council. There are good arguments for using the public money raised by the licence fee to run a channel that puts the public service high in its priorities, both as something worthwhile in itself and to encourage the others.

But the BBC must bring itself to conceive of the possibility (perhaps the probability) that its future, in other people's eyes, is not going to be in a Reithian world. It might be a pre-Reithian world: sponsorship was allowed under the charter of 1926. But it is certainly going to be a different, harder-headed world. The BBC knows it has to compete for audiences now: public service is not the be-all and end-all. If BBC-2 is really going to expand into a full-time channel, including, it is to be hoped, more educational programmes, it ought now to be allowed to subvent its finances from the market, the advertisers. Perhaps they will be the posh advertisers who use the posh papers; they might be straightforward sponsors, the people who underwrite the best programmes on American television (programmes which the BBC does not find below public service standards when it buys them for broadcasting here). It is in the corporation's interest to get into this field before a second commercial channel emerges; it is even more in the BBC radio's interest to do so before its Home Service evening audiences dwindle to so ignominious a figure that other pressures besides commercial competition compel a merging of services.

The BBC is not as impressed as the newspapers always are with the contention that the press manages to live pretty happily with its advertisers. (In fact, in television, advertisers are much less demanding than the political masters themselves.) But the BBC argument is still that broadcasting is something different in itself: that newspapers have a responsibility only to their readers, while broadcasting must think not just of its actual viewers but of all potential viewers all the time. Very well, let there be one such channel if that is the general belief (and a poll would probably show it is). But let it also be recognised that broadcasting is no longer a monopoly and that even the existing oligopoly will be broken down as time passes. Logic points to an advertising subvention for the BBC. So does experience. ITV does not rape all that easily. Neither will BBC-2.

EIU Quarterly Economic Review

Oil

MIDDLE EAST

Kuwait is maintaining its lead over the other Middle East producers. Saudi Arabia and Iraq have also shone. Among many other items of interest in this comprehensive review is an analysis of the bright new prospects opening up in Egypt.

Details and subscription rates from:
THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St James's Place London SW1 HYDe Park 6711 ext 27
60 East 42nd Street New York NY 10017 Murray Hill 7-6850

COMMENTARY

HOLIDAY POLITICS

Waiting for the Conferences

HIGH noon for the Conservatives is October 13th when the party conference opens at Brighton Sportsdrome. Mr Heath will make two speeches this year, instead of the leader's usual one, in order to identify himself more fully with the theme "deeds, not words." Then will be revealed the policies which have been prepared since last October under his guidance as chairman of the committee on policy (a post to which, incidentally, he has not appointed a successor). It is not only to avoid irony that these speeches should be short. Since Mr Wilson is clearly going to hang on as long as parliamentary by-elections allow him, there is no point in the Conservatives airing in advance all the details of policies which should, if they are to have much effect, hurt various special interests. Mr Heath in his speech in the last censure debate gave only two hints of what his policies are to be: a reform of the tax system to encourage individual enterprise and sterner measures against restrictive practices on both sides of industry.

Mr Heath at the moment is resting himself in front of the photographers at Villefranche before coming back to a speaking tour in Scotland in September. Many of the other members of the shadow cabinet, conspicuously absent from the grouse moor, are scattered at discreet intervals from each other, from Lord Cromer and from Mr George Brown, along the south coast of France. Mr Maudling is in Majorca watching bulls butchered to make a politician's holiday. Meanwhile back at the ranch in Smith Square Mr du Cann has received, endorsed but not published the report of the Chelmer committee on the recruitment and employment of constituency agents. In future there will be improved training of agents, extra payment to attract the most able to marginal constituencies, and recruitment of potential material from among school-leavers (rather than as formerly from among army-leavers ?).

It might be thought that the Labour party, who have to govern the country, could hardly match all this activity. However, the Prime Minister popped on a flying helmet the wrong way round and departed from the Scillies by helicopter for a rural cabinet meeting in Cornwall. He survived some zany assassination talk—and let slip the thought that he has not been to the UN yet. And it could still be an autumn election. Mr Wilson has planned a series of rallies to lead up to the opening of the party conference at Blackpool on September 7th. This is certain to be a thoroughly quarrelsome affair, but it might provide Mr Wilson with some good excuses for shuffling out the older and weaker members of his cabinet. These will not, of course, be the ministers who will be under fire from the rank and file of the party, but Mr Wilson might well be able to conceal this inconvenient fact by a judicious redistribution of jobs and titles. This will not after all be the first party conference at which he has stood upright on the fence.

HOLIDAY ECONOMICS

What the Papers Say

THE Department of Economic Affairs published an inoffensive progress report on Thursday morning containing the unexceptionable sentiment that longer holidays and shorter hours would have to be taken into account in estimating any increase in production by 1970. This was not news to anyone except the *Daily Worker*, which duly slanted an inside page lead story into an "attack" on shorter working hours by the DEA and a "bitter pill" for the workers to swallow. At that time it was not even news to the *Daily Telegraph*, but after midnight it came thumping in with a main lead headline: "Holiday Threat to 5-Year Plan." This was followed with the news that Mr Brown was flying back from the south of France, though there was, reassuringly, "no sudden crisis" to explain this dramatic development. It turns out, however, that Mr Brown and his department are still in favour of high productivity and shorter hours and longer holidays. They are not pressing for lower productivity, longer hours and shorter holidays. Must the silly season go this far ?

GERMANY'S ELECTION

The Personal Factor

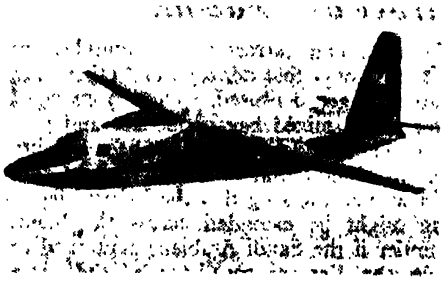
WEST GERMANY'S election campaign, which officially opened on August 8th, seems to be developing on the well-worn lines of a dispute around the personality of Herr Franz-Josef Strauss. At the Christian Democrats' first big meeting at Dortmund, Dr Adenauer sang his praises; but two days later a Hamburg Christian Democrat leader was reported as saying that "we shan't let Strauss into Hamburg." Meanwhile, Herr Strauss himself was suing the Free Democrats for libel and on August 17th a Munich court decided that the pamphlet in question should be withdrawn and that the Free Democrats should pay the costs of the action. This will make a hole in the already relatively small funds available for their election campaign. All this is good knockabout stuff and illustrates the peculiar position held by Herr Strauss in German politics. Whether it will serve him when the elections are over is another matter—especially if it turns out to be necessary for the Christian Democrats to make some arrangement with the Free Democrats.

For the duration, however, the Christian Democrats are giving the impression that they are out for total victory. At the Dortmund meeting, speaker after speaker vigorously rejected the idea of a "great coalition" with the Social Democrats just when, on Cologne radio, Herr Brandt, the Social Democrat leader, was coming out in favour of it. Both parties, however, seem to be converging on one point: the importance of appearing to be doing something about German reunification. The Social Democrats have announced that, if returned to power, they will try to start conversations on a German peace treaty; and on August 13th the government let it be known that the state secretary of the foreign ministry, Herr Carstens, will be going to Moscow at the end of September in the somewhat unlikely part of leader of a delegation to a chemical exhibition.

The German electorate does not appear to be much impressed by this latest variant on the cry "me too." Perhaps the issue will be decided on personalities after all. If so, Herr Erhard must be glad that, while the public opinion polls are indecisive between the two main parties, he has a personal lead over Herr Brandt of 22 per cent.

BRITAIN AND INDONESIA

Unfriendly Friendships



INDONESIA possesses 3,000 islands, wants to establish air links between them, and so comes—appropriately enough—to the Dutch Fokker factory building the world's most successful, 50-seat, backwoods aircraft, with a request for 40 and talk of needing 100. The Indonesian national airline, Garuda, already flies American jets and Canadian bush aircraft; the Dutch government is sympathetically helpful. Fokker negotiates a deal providing technical aid to establish an Indonesian aircraft industry assembling the first 40 Friendships from

Dutch components, and building the remaining 60 wholly in Indonesia under licence from Fokker. The British government sees the chance to embarrass, bans the supply of Rolls-Royce engines and other British components to Fokker for any aircraft destined for Indonesia. Fokker starts negotiating alternative engine supplies in America. Whose face is reddest?

If the diplomatic tightrope between Indonesia and the United States should snap, Fokker will not get an American engine either; then it will have to try France and, failing France, the Soviet Union. None of the alternative engines is ideal, but that is not going to stop Fokker and the Indonesians from going ahead with the proposed aircraft factory, which will take a minimum of 18 months, and more probably two years, to build and tool to the stage where it is ready to start putting together Dutch components.

That time-scale is important. What sort of relations does the British government think it is going to have with Indonesia two or three years from now? Meanwhile, the advance notice served so ham-handedly on Fokker and the Indonesians gives them ample time to shop for alternative engines, make the necessary structural modifications, and still have the aircraft coming off Indonesian assembly lines on schedule. The British ban hurts nobody except Rolls-Royce and the British component makers in their highly successful partnership with Fokker. If Malaysia and confrontation have passed into history by 1967, these companies will simply have lost the promising Indonesian aircraft market; if by then Anglo-Indonesian relations are worse, a chance to hurt the Indonesians by depriving them of key components at the last moment will have been lost. The cunning course would have been to temporise. Is there no cunning left in Whitehall?

YEMEN

Grace and Favour

Sticks and carrots are so jumbled up nowadays that donkeys, and others, are liable to get confused. One instance of this is the mixed bag of menace and promise that President Nasser has been holding out to King Faisal of Saudi Arabia. He has warned the king that the Yemeni fighting might be extended across the Saudi frontier if the Saudi Arabians continued to help the Yemeni royalists; at the same time, he has sent envoys to the king seeking peace. Now he has snatched out of his bag a carrot so succulent that nobody could mistake it for a stick. On Monday, it was reported in Cairo that the president (a deeply reluctant traveller to other Arab capitals) had offered to meet King Faisal anywhere he liked in Saudi Arabia. By Thursday, it was reported that President Nasser would fly to Jedda at the end of the week before making his state visit to Moscow on August 27th.

The urgency of President Nasser's dilemma in Yemen is self-evident. The war is going badly for him, with the royalists (whose defeat has been claimed so often) forcing his troops to retreat to concentrated positions. The republicans are sharply divided: last week, a delegation of dissident republicans met royalist leaders in Taif in Saudi Arabia and discussed the formation of a united Yemeni front to oppose, above all, the Egyptians. But these way-out republicans have been disowned (from Cairo) by Mr Noman and Mr Iriani, the republican leaders who, in their turn, fell out of line with Egypt at the end of June.

To meet is not to agree. Basically, the difference between the Egyptian and the Saudi point of view is that the Egyptians want to retire from Yemen leaving their influence behind, the Saudis want them to take their influence with them. Since King Faisal has the less to lose, he might seem to be arguing from the stronger position. But the king has yet to establish his honorary membership of the nationalist, revolutionary Arab club, and a graceless response to President Nasser's grand gesture (all the grander since the two are booked to meet anyhow next month at Casablanca) might not be the way.

URBAN RESEARCH

Which Agency?

Organisation of research tends to divide opinion as much as research itself. Where should the complex of practical problems usually grouped as "urban studies," fit into the research set-up? Last week at Cambridge the Ministry of Housing held a conference to discuss the setting up with government support of a special agency to channel money into research on "the human environment." Behind this proposal lies the declared interest of the Ford Foundation.

This looks very like the idea of a research council for "the built environment" which the Heyworth Committee on Social Studies recently opposed on the sound grounds that the idea embraced the full range of research skills already embodied in other institutions including its own new creation, the Social Science Research Council. Indeed Mr Crossman said at Cambridge that it was because of ministerial dissatisfaction with this particular Heyworth response that he was anxious to set up the agency.

But since Heyworth reported the government has, of course, made the imaginative and very welcome choice of Mr Michael Young, of the Institute of Community Studies, to run the new Social Research Council. Mr Young is best known for his studies of community behaviour in London slum and suburb, and would certainly not be one to neglect the significance of environment—even though in this context the word embraces the technological as well as the social and economic field. There is no reason why the government should not approve a new body for promoting environmental research—or why such a body should need such approval. This ought to be just another of the specialist research outfits, all of which should co-operate gladly with Mr Young's new council. It would be churlish to look the Ford gift horse in the mouth, as well as tactless at a time when the American foundations on which so much of British research depends are tending to turn their efforts more to underdeveloped countries. Though it seems that the Ford money might not be available for research with application only to particular British problems, all cities share many similar troubles; and the Ministry of Housing can go on commissioning its own special projects. Any agency to distribute environmental research funds should work in partnership with the Social Research Council, not as a potential rival to it.

CONGO-BRAZZAVILLE

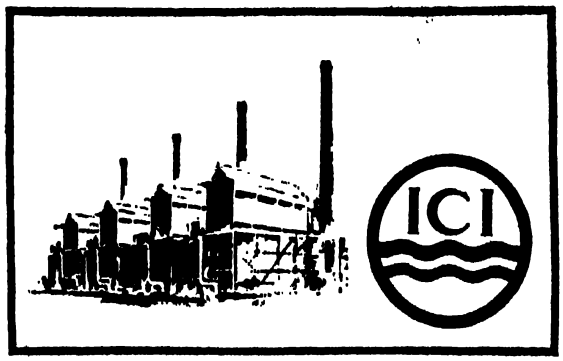
Socialism in One Country

When the United States announced on August 14th that it was breaking off diplomatic relations with the government of Congo-Brazzaville, the news was not altogether unexpected. For some time past the lot of a western diplomat in Brazzaville has been a hard one, and the treatment of an American official and two journalists during July seems to have been the last straw for the State Department. Aid had already been stopped nine months earlier.

The American decision coincides with the second anniversary of the overthrow of the Abbé Youlou regime, and the president of the republic, Mr Massemba-Debat, seized the opportunity of the official celebrations on August 16th to denounce American aid to Mr Tshombe in next-door Congo-Leopoldville and the "quarrelsome policies" of the United States. A day later Brazzaville countered Washington's rupture of diplomatic relations by the stroke of itself breaking off diplomatic relations with Portugal. No doubt Mr Massemba-Debat hopes that the damaging effect of the rupture with America will be drowned in the general uproar. For in Africa and elsewhere the American gesture will be widely taken as an opinion on the durability of the Brazzaville government.

Two years after its foundation the new regime in Brazzaville finds itself in a difficult position. The Laris—Abbé Youlou's tribe—are still visibly hostile to Mr Massemba-Debat, neighbouring states are worried about Chinese influence and, though relations with France have remained fairly close, there have been worrying signs of a Paris-Leopoldville axis. It is probably for this reason that Mr Massemba-Debat and his prime minister, Mr Pascal Lissouba, have chosen to remain within the Organisation Commune Africaine et Malgache despite their attacks on its policies. For a country of under a million inhabitants, Congo-Brazzaville has isolated itself quite enough. Whatever the "young Turks" who manage the trade unions and the party youth movement may think, socialism in one country hardly seems a workable formula for equatorial Africa.

ICI AGRICULTURAL DIVISION PROCESSES MEAN MORE FOOD—A BETTER LIFE—FOR MORE PEOPLE



By 1966 ICI will be the largest single producer of ammonia in the world. This world leadership has been reached after 40 years' experience, during which all aspects of research, development, construction and production have been studied in depth.

ICI sells its technical 'know-how' through licensed contractors. Throughout the world more than 170 units have been or are being built to operate ICI processes.

For information on ICI Ammonia and Fertilizer Processes write to

THE LICENSING MANAGER
IMPERIAL CHEMICAL INDUSTRIES LIMITED
AGRICULTURAL DIVISION, BILLINGHAM, CO. DURHAM, ENGLAND

TODAY N AUSTRALIA

What's new in this land of rapid growth and huge potential

Grand Tour

This year's Grand Opera Season is a particularly exciting one for Australians. They are welcoming home world-acclaimed Joan Sutherland, prima donna of the "Sutherland Williamson Grand Opera Company". Touring with the Company is a cast of 150, including noted performers from France (Joseph Rouleau, Andre Montal), Italy (Luciano Pavarotti), Holland (Cornelius Opthof), Greece (Spiro Malas) and England (Joseph Ward, Alberto Remedios).

Joan Sutherland—Prima Donna

Investment Yield

The value of overseas capital invested in Australian industry is conservatively estimated at £A2,250 million, yielding an average return of 6.7 per cent on shares, debentures and unsecured notes. 31.7 per cent of private overseas investment represents money earned in Australia (undistributed income) and ploughed back. Income accruing from direct investment in finance and property increased from £A10.6 million in 1959-60 to £A16.9 million in 1963-64.

Thirst-Aid

Revolutionary measures will be used in Queensland to artificially replenish underground water beds so an expanding area of sugar can be irrigated. If successful, the scheme may have application to other regions where sub-artesian supplies are inadequate. The works proposed will consist of electrically driven pumps to lift water from the Burdekin River into plantation and sheep station creeks. From here the discharged waters from the Burdekin will percolate into the underground beds. By this means it is hoped to make available an average of about 40,000 acre-feet of water a year for replenishment of sub-artesian basin.

Revving-up

About 400,000 motor vehicles are manufactured or assembled in Australia every year (22,389 were exported in 1964) and there is approximately one motor vehicle to every three Australians. However, the latest development in Australian automotive industry is a growing demand for luxury cars. Sydney recently acquired its first Ferrari agency, and one company now distributing Jaguars, Daimlers and Alfa Romeos is awaiting a shipment of Maseratis from Italy. A leading importer of elaborately equipped American luxury cars is also undertaking a vigorous expansion programme.

Fashion Leap

Most countries are uniquely associated with certain species of fauna—Spain with bulls, America with buffaloes, Britain with Beatles and Australia with kangaroos. Although regarded with fond affection by tourists and city dwellers, wild packs of kangaroos create expensive havoc for local farmers and graziers. Now, however, these marsupials are the source of a new clothing industry: fur and leather fashion garments for men and women. 'Roo-Wear' Pty. Ltd. has already received firm orders from New York, Frankfurt, London, Tokyo and Montreal.

Kangaroo Fur

Bales to Bolts

Australia no longer rides on the sheep's back. Prewar, export earnings from wool contributed 40% of the total. By 1970 its estimated contribution will have dropped to one quarter—not because of a decline in the wool industry, but due to fast growth in other fields. Over the last decade, the annual export of manufactured goods has grown more than twice as fast as Australia's overall exports which increased at a rate of more than 6 per cent. In 1963-64 the value of "hard manufactured" exports amounted to £A154 million, which was more than 11 per cent of total export income.

Growth in manufactured exports

Explore for Yourself

Judge the business opportunities in Australia for yourself. Qantas V Jets—fastest Jets in round-world service—will fly you to Australia in a matter of hours from America, Europe, Asia and the Orient. Your Travel Agent or Qantas will show you how little extra it costs to include Australia in your next round-world itinerary. Ask Qantas all about Qantas Air Cargo offering fast, frequent service to all parts of the world, with renowned Qantas care.

AUSTRALIA'S ROUND-WORLD AIRLINE

QANTAS

44 YEARS OF DEPENDABLE SERVICE

THE WORLD INTERNATIONAL REPORT

The remorse is genuine

Israel's ambassador arriving

The dissenters

Germany's ambassador arriving

FROM OUR BONN CORRESPONDENT

IT has taken just over twenty years to find, and then to try (with punctilious fairness) twenty members of the staff of Auschwitz concentration camp, where at least two and a half million Jews were systematically put to death between 1940 and 1945. And it has taken west Germany all sixteen years of its existence to establish normal diplomatic relations with Israel, the homeland today of two and a half million Jews, many of them former refugees from German persecution.

The Auschwitz trial ended at Frankfurt on Thursday. Seventy hours earlier the first Israeli ambassador to west Germany arrived at Cologne. The sad inevitability of Mr Asher Ben-Nathan's remark at the airport, that Israel could not and should not forget the past, was mitigated by hopes raised in some listeners by the presence of his son and daughter, both born since 1945. Eight days before, the first west German ambassador to Israel, Herr Rolf Pauls, had arrived at Tel Aviv. Immediately after he had paid his first call on the foreign ministry, Herr Pauls visited the Yad Vashem memorial museum for the victims of national socialism, there to contemplate, chiselled in a hall exhibiting the record of Hitler's programme of genocide, the names of all the nazi concentration camps.

It was Herr Ulbricht's get-together with President Nasser in Egypt last February, and the rumpus caused simultaneously by the disclosure of west German deliveries of arms to Israel, that gave the final impulse to both governments to normalise their relations. After a meeting of the west German cabinet on March 7th it was announced that the government had decided to stop further economic aid to Egypt and to begin negotiations for establishing full diplomatic relations with Israel. By then the Auschwitz trial had been in progress for more than a year. Its significance was one of the circumstances that made it easier for the Israeli government to respond to Herr Erhard's approach.

The trial, the longest and most diffuse in German criminal history, began on December 20, 1963. Sitting as a rule only twice a week, the court held altogether 179 daily sessions. But the preliminary investigations, entailing dispositions by 1,300 people, had gone on for nearly five years. In the course of the trial, 359 witnesses—212 of them Auschwitz survivors—came from 14 countries to give evidence at Frankfurt. Fifty people who were unfit to travel told the court their story in affidavits. The twenty men in the dock (their former chief, the last camp commandant Richard Baer, died of heart failure in prison in June, 1963) were all accused either of murder or of having been accessories to murder. At the beginning of the trial, 13 of the accused were at liberty on bail. By the end, such things had come out that their number had been reduced to three.

The presiding judge, Dr Hans Hofmeyer, who was assisted by two other professional judges and by six jurymen (the six had a say in determining both the degree of guilt and the sentences) mastered the case and the hearings admirably. The accused and their counsel naturally exploited to the full the opportunities provided by the lapse of time and witnesses' faulty memories. Dr Hofmeyer was always politely patient. Had he not known when also to be firm the trial would still be dragging along this time next year.

Most of the accused professed to remember only the harmless details of life at Auschwitz. Some refuted with arrogance the allegation that they must at least have known of, if they had not actually contributed to, the details of suffering and death. Only the gynaecologist, Dr Bernhard Lucas (sentenced to three years), seemed to show some signs of shame. Towards the end, Dr Hofmeyer suggested that the defendants might like to "relieve their consciences, and speak the truth" in their last personal statement to the court. But the former camp adjutant, Robert Mulka (sentenced to 14 years), continued to insist he knew noth-

ing about the gas chambers, the injections, the shootings, and the burning bodies.

Dr Victor Capesius (9 years), the perky little man who ran the camp dispensary and now owns a chemist's shop at Goeppingen, never lifted a finger against anybody: "I was polite, friendly, and helpful to all," he assured the court. The direct killers—such as Oswald Kaduk, Wilhelm Boger and Josef Klehr, who have all been sentenced to life imprisonment—steadfastly repeated that they were merely "little men," carrying out orders. Can an official hangman, one of the defending counsel asked, be expected to refuse to carry out an execution simply because he believes the judgment to have been erroneous?

An English observer can make the point that this long and thorough trial has served at least three useful purposes. It has proved to the German public that the evil of the concentration camps was no exaggeration of the victors' courts after the war; the transcript constitutes a full record of the working of a camp set up expressly to achieve "the final solution." Second, it has reminded the world at large how savagely quite ordinary, ostensibly decent people with chips on their vain shoulders can behave in positions of power where the restraints and encouragements of normal society are no longer effective. And it has given a terrible warning to societies that still enjoy the protection of habeas corpus and the mixed blessings of a free press of the price that may have to be paid for neglect of civic vigilance.

The Auschwitz trial can be considered to be one of west Germany's salient endeavours to convince Israel and world Jewry of the genuineness of the German people's professed remorse. Another was the Bundestag's decision on March 25th to amend the hundred-year-old statute of limitations (preventing prosecution for murder committed more than twenty years ago) so as to close that particular chance of escape to any newly discovered murderers of the nazi era. In reply to criticism—some of it not wholly unjustified—that west Germany had been laggard in bringing nazi criminals to book, the ministry of justice published on March 1st, at the Bundestag's request, an account of what had been done so far. Altogether, 80,000 war criminals had been convicted since 1945. Since 1949, when the German Federal Republic came into being, 61,761 people had been charged in west German courts, of whom 6,115 had been convicted. There were still 13,892 cases pending.

But west Germany's desire to make what amends it can for the past has found its most practical expression in financial indemnification of the surviving victims of nazi violence and the near relatives of the dead. Provision for this has increased over the years in response to complaints of inadequacy. On May 26th, the Bundestag again amended the indemnification law in order to set up a hardship fund to help 150,000 people who had not been able to leave eastern Europe before December 31, 1953, the original closing date for claims. The president of the Jewish claims conference, Dr Nahum Goldmann, has since said that his organisation is now satisfied. Some other organisations are not, notably those representing stateless victims of the nazis. But the German authorities have promised the UN high commissioner for refugees that they will try to do something more to help these wretched people.

So far, west Germany has paid a total sum of 27,250 million marks in indemnification to individuals and countries. When all undertakings have been carried out by the early 1970s, a total sum of 45,150 million marks will have been paid. The figure includes the restitution to Israel that was agreed to in September, 1952, and which involved payments totalling 3,500 million marks (£298 million) in cash and goods. This agreement was duly fulfilled by the end of last April. The form that the next phase of German-Israeli economic relations is to take will be the urgent business of the new embassies.

MALAYSIA AND SINGAPORE

Hunt the scoundrel

FROM OUR FAR EAST CORRESPONDENT

SINGAPORE says the scoundrels in Malaya plotted expulsion; Kuala Lumpur says the scoundrels in Singapore plotted secession. The views from the two terraces differ so sharply that it is difficult for the innocent traveller to believe that the conflicting reports on the Malaysian breach deal with the same subject. But there are enough basic facts not in dispute to provide an adequate requiem. Mr Lee Kuan Yew insisted on a loosening of the Malayan straitjacket on Singapore; Tunku Abdul Rahman was not prepared to yield even when, at the last moment, Mr Lee offered a discreet halt to political infiltration of Malaya. The two leaders, who had never liked or understood each other, could no longer even tolerate one another.

The hearty protestations of trust, accord and good neighbourliness, now echoing between Singapore and Kuala Lumpur in the wake of the divorce, cannot hide the bitterness, suspicion and resentment. There are remarkable exercises in rationalisation going on: the advantages of federation once so urgently promulgated are now denounced as perils; strength, it is being argued, will come from separation rather than from unity. There is also a legacy of distrust in diplomatic circles because of the astonishing absence of any warning of the impending break.

Cardboard committees of co-ordination are being glued together but few can pretend that Chinese and Malays who could not agree in partnership will become sweetly reasonable in separation. It would be folly to risk a fresh referendum in Sabah and Sarawak. And a magnificent touch of unreality was provided this week by the Tunku's assurance that "the door was still open" to Brunei to join the remnants of Malaysia.

The brutal question must be asked: can the Tunku control his party's extremists? This is the third time that the irrepressible Dato Syed Jaafar Albar, the Indonesian-born secretary-general of the Tunku's United Malays' National Organisation (UMNO), who wanted to arrest Mr Lee, has resigned. There seems no doubt that he was directed to stand down after the breach but his influence persists and his pan-Malayan following flourishes. In the delirium that has seized both the sundered partners, Mr Lee broods over the possibility of Kuala Lumpur reaching an understanding with President Sukarno and the Tunku, at a press conference, says that Malaya would send troops into Singapore if the communist-dominated Barisan Sosialis party ousted Mr Lee in democratic elections.

The British, as convenient whipping boys, are currently being assailed for perfidy and intrigue by elements of UMNO, and some of the Lee-baiters are advocating a new international policy which both Indonesia and China would welcome. In particular, the Malaysian Afro-Asian Solidarity Organisation, which operates from the Tunku's political headquarters, seeks "honourable peace with Indonesia" and denounces American bombing in Vietnam.

The prevailing mood among Chinese merchants and business leaders in Singapore is unashamedly one of relief at the break. Firecrackers gaily greeted the news. However exaggerated businessmen's wishful anticipations of the volume of restored trade with Indonesia may be, it is instructive that they take trade resumption for granted despite the Tunku's angry insistence that the

"separation agreement" specifically prohibits this development. The old barter trade between sampans at sea can hardly be prevented.

The disruption of the Malaysian front is deepened by the loss of the astute talents of Mr Lee who, even in the frustrating role of perpetual opposition, was an admirably tough spokesman for the Malaysian link-up, especially in Afro-Asian company. He will not trust Sukarno the more because he loves the Tunku the less. His dominance of Singapore's political scene remains absolute and he will deal roughly with subversive elements. Only a serious and improbable deterioration in living standards and employment would enable the Barisan Sosialis opposition to take advantage of the new situation and become a threat to his leadership. It seems reasonable, in fact, to expect that his control of internal security will be more effective than when the Malayans attempted it. This autonomy, together with his greater authority over local financial affairs, was Mr Lee's chief aim in campaigning for a looser federation.

There is support in Singapore banking circles for Mr Lee's decision to allow the local branch of the Bank of China to continue operating. The Malaysian cancellation of this bank's charter made little sense at the time. As a minor but interesting indication of the difficulties in Singapore on the eve of separation, it may be recalled that, although the Malaysian finance minister insisted that the dismissed local staff of the Chinese bank had jobs awaiting them in other banks, no such positions were in fact available.

The future depends on the Tunku's personal leadership and ability to rally the shaken Alliance government and to retain the allegiance of the Borneo states, which admittedly have not yet benefited materially from federation. The Tunku, a likeable father-figure rather than a strong leader, appears relaxed and confident and claims that things have improved since the agonising decision to separate. But he will need to take far more vigorous action against the extremist cliques in his creaking party to subdue their irresponsible alarums and excursions. "Our defence is indivisible," he and Singapore's defence minister, Dr Goh Keng Swee, piously agreed when they set up a combined operations committee. True enough.

GREECE

Circe and Ulysses in modern dress

FROM OUR ATHENS CORRESPONDENT

"THE palace has become a Circe," said Mr Papandreou this week when, like a new Ulysses, he watched his party crew being transformed, not into swine, but into government supporters. "With the lure of power, the palace is debasing human beings," added the wily old politician bitterly as the palace went on peeling off his parliamentary majority.

Essentially, the Greek crisis has taken on two fresh aspects this week: it has degenerated into a ferocious arithmetical battle, while with the creation of an effective "popular front" between the supporters of Mr Papandreou and the emboldened Greek communists it has taken on strong anti-monarchist overtones. The big question at this stage is whether the new government that the king asked the dissident Centre Union leader, Mr Tsirimokos, to form on August 18th will pull through the test of a confidence vote in parliament.

With the promised support of 125 deputies (99 of the rightist National Radical Union and 26 of the Novas group) it should be easy for Mr Tsirimokos to detach a chunk of thirty or more deputies from Mr Papandreou's depleted Centre Union to build up a working majority. But the pressures on the Centre Union deputies who show signs of wavering in their allegiance to Mr Papandreou have become unbearable. One deputy waved a sheaf of telegrams signed by constituents which threatened that if he deserted Mr Papandreou he would never again be able to set foot in his constituency. "I know all this is manufactured," he said, "but can I afford to take the risk?"

Then there are the anonymous telephone calls threatening deputies with death if they betray their leader. Mr Tsirimokos revealed that Centre Union deputies who wished to defect had begged him "not to disclose their views in public to protect them from the threats made by EDA [pro-communist] officials co-operating with employees of Papandreou's eldest son." They would identify themselves as defectors only in the course of the vote in parliament.

Mr Tsirimokos

Greek politicians do not have a brilliant record of party loyalty. Their allegiance is to themselves and to their future. The lure of a portfolio, which some of them could not even have dreamt of in normal circumstances, is powerful. But what ultimately matters in the inter-party migration is the prospect of whether or not they are likely to be re-elected. Today only Mr Papandreou can offer them a guarantee of re-election, thanks to his outstanding performance as a demagogue both in and out of power. His popularity runs high in the country and the cost of it to the Greek economy and to internal security has been heavy. What has kept the majority of Mr Papandreou's deputies loyal even when he is left with only three of the seven other founder members of the Centre Union, and "Circe" has lured away most of his party's leading men, is the belief that the present upheaval can be settled only by prompt elections. If the Tsirimokos government survives, elections will be less likely. This might induce many other hesitant deputies to support the new cabinet in the knowledge that in the long run a government deputy is better placed to increase his following than one belonging to the opposition.

It would be unfair to suggest that all the deputies are possessed by an egocentric insensibility to the national interest. Many of them can detect through the present alarming confusion that the country's interests are at stake. First, there is the crown. When judgment is being passed on the king's actions during the present crisis, people tend to forget that the role of the monarchy in Greece has never been passive. The advent of political stability between 1952 and 1963 limited to a minimum the crown's initiatives in politics and created the impression that the Greek monarchy had modelled itself along Scandinavian lines. But it is hard to believe that most Greeks themselves truly want their king to be just that. They have felt the king's power at every turning point of their political lives; those who agreed with his initiatives blessed him, while those who did not cursed him loudly. But this has all been in the day's work. The interlude of political stability has not changed this pattern, just as it has not affected the Greek character.

King Constantine's motives have been

successfully misrepresented and in the ensuing popular reaction—in which the most strident outcry came from the communists—he found himself saddled with the cumulative misdeeds and errors of former monarchs. "The people do not want you, so take your mother and go," is not the kind of slogan that Mr Papandreou would have inspired. Yet the way things are going today, he may soon find himself echoing it to please the masses, just as he has done in the past. This is the first time since 1944 that the Greek communists are demonstrating openly, freely and provocatively in the streets. Even in 1956, when Mr Papandreou set up a popular front with the pro-communist EDA to defeat Mr Karamanlis (at that time the favourite of King Paul), the communists were subdued.

Greece has now entered a period of turmoil. Mr Papandreou is planning to make provincial sorties in order to bring his case before the people. In these sorties, which will keep the ferment going even though a majority government may be in power, the communists will provide the activist element and the followers of Mr Papandreou the ideological cover. It is not clear where all this is leading to. If the Greek communists are not ready today to resume their full activities, it is only because twelve years of ruthless persecution by the Right has broken their militant backbone. Seventeen months of "ideological liberalisation" under Mr Papandreou sufficed to give them the strength, not to make a coup, but at least to disrupt the right wing's machinery of surveillance that used to find out what they were up to.

Today the new popular front, with its deliberate confusion of ideas, aims and interests, is giving the communists the political pretext for agitation which enables them to build up their strength. On Tuesday a Russian ship from Odessa repatriated 23 former Greek communist guerrillas and their families who had settled down in Tashkent after their defeat in Greece. They came so that they could be added to some 12,000 who have been allowed to return in the past fifteen years; oddly enough most of them have been brought back under right-wing governments.

INDIA

Playing it a bit cooler

FROM OUR INDIA CORRESPONDENT

INTERMITTENT fighting has been going on in Kashmir since August 9th, but there is still none of the hysteria that engulfed India during the brief operations in the Rann of Kutch last April. For one thing public opinion has come to expect an outbreak in Kashmir from the non-stop skirmishing that has been going on along the UN-supervised cease-fire line since late last year. More important, perhaps, the lack of hysteria is the result of efforts by Mr Shastri to restrain popular feelings even while squarely blaming Pakistan for organising the trouble.

As it is, the opposition parties are accusing Mr Shastri of "abject appeasement"—a feeling sufficiently shared to manifest itself in countrywide demonstrations against the Indian-Pakistani agreement on Kutch reached through Mr Wilson's good offices. There are also influential critics within the Congress party itself. Yet Mr Shastri, keenly aware of possible repercussions on world opinion, is most anxious that there should be no default on India's part. On Wednesday he announced that India had proposed that the foreign ministers' talks on Kutch, due to open on the 20th, should be cancelled, since they were plainly doomed to failure. But it was made clear that India was not abandoning the agreement; it was simply suggesting that the two countries move directly to the alternative method of settlement envisaged in it, reference of the dispute to an impartial tribunal.

Don't-ban-the-bombers

Another reason for Mr Shastri's soft-pedalling is an obvious desire to avoid escalation. Pakistan's disclaimer of responsibility for the current outbreak will not wash, but he realises that some move to settle the Kashmir issue has been long overdue—a view which the Russians and the Egyptians, India's former supporters, are beginning to share with Britain and the United States. Mr Shastri can see plainly that a major conflict is bound to revive pressures to tackle the trouble at its root.

The debate that began in the Indian parliament on Monday, showed little understanding of the prime minister's problems. Barring a lone communist member who pressed for a settlement with China on the lines of the Kutch agreement, hardly anyone on the opposition benches had a good word to say for Mr Shastri's peacemaking. Many wanted the pact repudiated. Several went even further. An independent member advocated "bombing, attacking and liquidating" the bases from which guerrillas were being sent into Kashmir. Basically the same plea for carrying the war into Pakistani territory had been made earlier by Mr G. M. Sadiq, the chief minister of India's part of Kashmir.

The demand for retaliation would have been stronger but for the Indian army's reoccupation of some Pakistani posts in the mountains overlooking the vital Srinagar-Leh road into Ladakh. There is general distrust of Pakistan's future intentions. The theory of a deep-laid conspiracy between Pakistan and China has once again been revived. The defence minister lent support to it by his reference to intelligence reports "suggesting" that there were Chinese officers in both East and West Pakistan, presumably to assist in training for guerrilla warfare.

In any conflict between India and Pakistan, Britain and the United States are bound to come in, like the hapless UN observers on the ceasefire line, for harsh criticism. Newspapers published this week pictures of American equipment seized from the raiders, but the defence minister explained almost as an afterthought that there was no evidence to show that this was from aid supplies as distinct from those Pakistan might have purchased commercially. This suggests that India is being careful not to let anti-American feelings get out of hand as they did over Kutch. Mr Shastri has already said that there are to be no talks with Pakistan over Kashmir, but just in case he should again enter into negotiations through a third country, several members specifically demanded that India should in no case seek American or British intervention. Mr Shastri had one consolation. On Wednesday, after the shouting was over, the Congress parliamentary party dutifully gave him a huge majority, though the figures—269 for, 28 against and 23 abstentions—suggest that about 150 members did not bother to turn up at all.

POLAND

Higher rents, more homes

LOW rents have always been a source of self-congratulation in communist countries; they have been something to set in the credit balance against low wages, high prices and scarcities. Communist planners have naturally been reluctant to acknowledge that keeping rents down to a quite uneconomic level has not helped to improve either the quantity or quality of housing. The Poles, however, have suddenly changed their minds. On August 13th they announced that from October 1st the rents of state-owned flats will be increased steeply; they will be at least doubled and some will be nearly quadrupled. To cushion the consequent increase in the cost of living temporary allowances will be paid.

The Poles have not previously shown any alacrity to put themselves in the vanguard of economic innovation and reform. But their housing problem is very pressing, par-

SEE WHAT AIR IS DOING NOW. Drilling for oil—as deep as 30,000 ft. In these big Gardner-Denver rigs, air controls all operations. Air regulates the flow of power. Air tongs hold the drill pipe while added lengths are secured. ■ Gardner-Denver matched components achieve drilling rates of 1,000 ft. a day and more . . . effect large savings in maintenance and moving. ■ Air and Gardner-Denver work together: in drill rigs, compressors, rock drills, and production tools. See what air can do for you. **SEE GARDNER-DENVER**

Write For Bulletin CC-1

GARDNER-DENVER
INTERNATIONAL DIVISION

Gardner-Denver Company, Quincy, Ill.; Gardner-Denver Int'l. Div., New York, N.Y.; Caracas, Venezuela; Northmead, N.S.W., Australia; Brussels, Belgium; London, England; Rio de Janeiro, Brazil; Lima, Peru; Westhausen, Germany; Buenos Aires, Argentina; Barranquilla, Colombia; Santiago, Chile; Johannesburg, So. Africa; Ndola, Northern Rhodesia; Stockholm, Sweden; Auckland, New Zealand

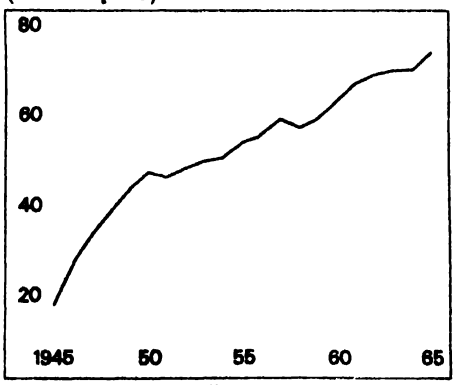
The Economist exports

Copies sold
Within 36 hours of its editorial close, The Economist is on sale in 300 cities throughout Europe and the USA. Retail distribution now reaches cities in the Far East and Australasia. Sixteen world airlines supply it on major services.

Advertisements published
The list of advertisers includes most of the great industrial names in Europe, the US and Japan. Moreover 44 of Britain's 50 biggest exporters advertised in The Economist in 1964.

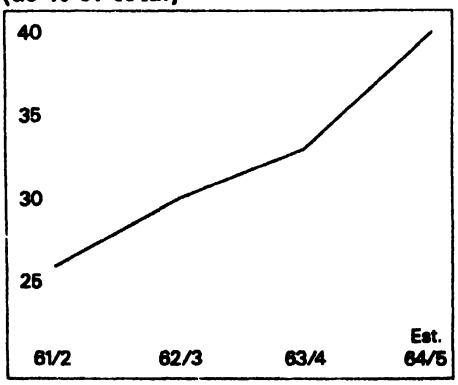
Miles flown
Travel is the first requisite of getting international business, and of the business of getting international news. The London staff of The Economist visited 52 countries and logged 340,000 miles in 1964.

Audited circulation in 140 countries ('000 copies)



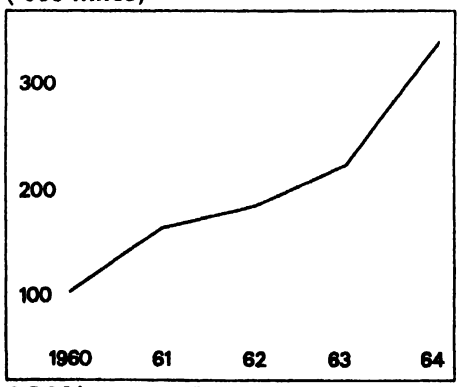
51% outside Britain

International revenue (as % of total)



40% outside Britain

International travel ('000 miles)



230% up in 4 years

ticularly in the big industrial centres where there has been a big influx of peasants. It is made even more urgent because the Poles are reproducing so rapidly; the country's population increase of 400,000 people a year is twice the average European rate.

In spite of the immense war-time devastation, housing has never been given much of a place in the planners' list of investment priorities. When Mr Gomulka came to power in 1956, he described the housing situation as catastrophic. Since then the number of flats built each year has steadily increased, but not nearly fast enough. Mr Gomulka frankly admitted in March that the housing problem was not yet solved. He said that the state could afford to spend only a limited amount on housing and that those who wanted accommodation would have to help pay for it.

The government's hopes of overcoming the housing shortage have therefore been pinned on developing co-operative housing. Increasingly, Poles are joining co-operative housing schemes in order to get a home of their own. The ratio of co-operative to state-built housing rose from about one-quarter in 1961 to about one-third in 1964. Under the new five-year plan for 1966-1970, housing co-operatives are to build 433,000 flats, which is three times as many as in the current plan; they will build 54 per cent of the urban housing planned for 1966-1970. Eventually the idea is that co-operatives should take over from the state all socialist—as opposed to private—housing in towns.

Prospective tenants of co-operative flats have to make a substantial down-payment (which helps to finance the actual construction) and then pay an economic rent which is often five times higher than current rents in state-owned flats. Those who cannot afford the down-payment are to be helped with grants or loans by the state. One reason for the proposed sharp increase in rents in state-owned housing is to encourage the co operative housing movement by levelling out the present unfair inequality in rents. Another reason is to shift the burden of the maintenance and repair of state housing to the tenants; it has been estimated that at present tenants contribute only one quarter of these costs.

But however sensible and economically desirable, the sharp increase in rents will not increase the popularity of the Polish regime. In spite of the temporary allowances, many Poles will find it even harder than at present to make both ends meet.

'Has anything special happened to us in the last twenty years?'

SZPILKI (Warsaw)

ALGERIA

No time for nonsense

BY OUR SPECIAL CORRESPONDENT LATELY IN ALGIERS

It came as a shock to some of the Algerians who are trying to run their country to learn from their new leaders that they have run it to the brink of ruin. Algeria's economy, they admit, has been in decline. But it has declined from a standard of prosperity that was formerly enjoyed by the French *pieds noirs* only. Apart from a small upper crust of so-called "collaborators," who hived off to Paris when Algeria became independent, the Algerians in the French time of plenty got only fringe benefits from their lower-grade jobs. Today more Algerians have nice homes and motor cars—thanks partly to taking over French property and partly to the inevitable surfacing of a new privileged class of bureaucrats and army officers. The grave unemployment figures—one million unemployed and perhaps twice as many with only snippets of work—are the same as they were ten years ago when Algeria was supposed to be flourishing under France.

The disquieting new turn of events is that unemployment, formerly confined to the countryside, has gripped the towns. And the men who have been laid off through French businesses packing up and the steady rundown in industry are much more of a political risk than all those poor resigned peasants who have always had it as bad. Statistics are difficult to come by but it is thought that industrial production has dropped by more than half since 1961.

The loss of French skills in the self-managed farms and factories is also striking home. Some of the first batch of wine that Algerians have made by themselves tastes so odd that it will be unfit for export. One face-saving operation has been to buy cheap Spanish wine and export it to France, under Algerian labels, instead. Muddle and fiddle on the farms is causing concern. The farmers tend to sell their products under some local counter instead of sending them to the state marketing centres; but this is because of their sheer stupefaction in the face of book-keeping intricacies. What these farms need is not more state control but a great deal more technical help.

Colonel Boumedienne's government is as socialist, theoretically, as was Mr Ben Bella's. But it wants to make nationalisation a proper thought-out job instead of a system of rewards and punishments, as it has been so far. This spring Mr Ben Bella promised, to reward the trades unions (for having submitted to his control) by nationalising enough private industry to make the public sector larger than the private sector by the end of the year. Nearly 75 per cent of industry was then still in private hands. Some firms were duly nationalised; others were harassed by the unions into near nervous prostration. This process has now stopped. The government shows signs of recognising that the still predominant private sector of industry must be a stand-by during a transition period and may even need encouragement to expand. The investment code is being revised. Some foreign firms have calculated that if they could rely on a ten-year run before being nationalised they could do well for themselves and Algeria too.

No regime needing a booster could have had a better one than Colonel Boumedienne's got from the new oil and gas agreements with France (see *The Economist* of August 7th). There is some injustice in this. All the terms were negotiated when Mr Ben Bella was president; it merely fell to his successor to preside at the signing of them. But details like that escape the man in the street. Bemused by the many foreigners—Cubans, Egyptians, east Europeans as well as Chinese and Russians—who have been milling around in his country, he is simply profoundly relieved to be so firmly bound to France.

These agreements, which will almost treble Algeria's profits from oil, also open up vistas of new oil-based industries. Through the tied-in French loans and credits for equipment, France is bound to be the main financier. But the government has been putting out feelers for other western, including American, investment. By the strict rules of non-alignment the powerful partnership with France should be balanced by more dealings with the eastern countries. But Colonel Boumedienne's team is in a no-nonsense mood.

The dashing performance of the British firm that pushed through the prized new all-Algerian oil pipeline in record time makes the plodding Jugoslavs and Egyptians who are putting up textile mills seem crawlingly slow. It is too early yet to judge whether there is a real swing towards the West or whether it is a passing flutter, a flash reaction to some of the petty troubles that eastern countries have caused. Egyptians have not been happy in their relations with Algerian labour, and Bulgarians are spoken of with simulated twinges of pain since they sent in a team of "doctors" who turned out to be medical students, and cross, clumsy ones at that.

Algeria's stated intention of letting Morocco and Tunisia have a share of its gas for their industries has been well received by both countries. The love that has been lost in Egypt (and the prestige in black Africa) through deposing Mr Ben Bella and muffing the Afro-Asian conference may yet be made up for in the Maghreb where it is Algeria's true calling to become the centre of influence and economic growth. But that is an appointment with destiny that can be made only when conditions at home are more stable.

DISARMAMENT

Mr Foster's flag

On Tuesday, three weeks after the Geneva disarmament talks had resumed, a draft treaty to halt proliferation of nuclear arms was at last tabled. Not, however, by Lord Chalfont, who had been canvassing a British draft before the conference reassembled, and had hoped for joint allied sponsorship of a version of it. Much of the text presented by the chief American negotiator, Mr William Foster, has a British look; but Lord Chalfont could only welcome it, instead of being a co-sponsor, primarily because of a subtle but vital point about the wording of one passage.

This "failure of British diplomacy" (*Daily Telegraph*), "humiliating beyond words" (*Daily Worker*), has brought down on the minister of state's head the wrath of various assorted patriots. But it may be more relevant to examine what is going on at Geneva in its bearing on the real problem of halting the arms race, rather than in terms of how high each national flag is flying. Disarmament is a subject that breeds quite enough delusions without that. Just as the Geneva session began, a "world congress against the H-bomb" in Tokyo was applauding messages from Dr Sukarno and Mr Chou En-lai, both of whom insisted on every nation's "right" to nuclear weapons. That was a communist-run congress; but communists have no monopoly of nuclear folly.

True, at Geneva Mr Tsarapkin has been justifying the charge of "schizophrenia" levelled at him by the chief Canadian delegate. On August 3rd he said that "there can be no progress here" unless the Americans withdrew from Vietnam. On August 11th he withdrew from this position. He has at last admitted that Russia's seismologists cannot tell whether all subterranean "events" are nuclear explosions or not; but he still shies away from the repeated pleas that Soviet scientists should join in studies that might show whether a ban on underground tests is now feasible without the on-site inspections of which Moscow is so fearful. On Tuesday Mr Tsarapkin derided the new American non-proliferation draft as "a joke." But he was careful not to reject it formally. So far his conduct (including his jocular but unbudging attitude when he met the west German observer, Herr Swidbert Schnippenkötter) suggests that Russia is as half-hearted about making effective propaganda at the talks as it is about actually negotiating.

Although Russia had suddenly agreed to resume these talks after saying no for six months, it sent Mr Tsarapkin to Geneva without anything new to say. His bags seemed to contain only a musty batch of demands, for the abolition of all foreign bases and so on, which date back to the pre-Khrushchev age. If he brought his own non-proliferation draft with him, he has been strangely slow to unpack it. Nor has his supporting cast of Poles and other east Europeans acted as anything more than a ritual chorus. Only the attendant east German team, led by a deputy foreign minister, has made a little news—by being foiled in a sort of process-server's attempt to penetrate Mr Foster's office and deliver a memorandum.

In contrast, the two most "near-nuclear" of the non-aligned delegations have made their marks. For Sweden, Mrs Alva Myrdal has urged priority for a ban on underground tests. She argued that this in itself would be "a non-proliferation measure"; that it could serve as the first of the steps that existing nuclear powers should take in conjunction with a non-proliferation treaty; and that it could be quickly achieved, if the seismological experts were allowed to co-operate on the technical problems, a task with which Sweden is equipped to help.

Mr Trivedi of India also gave the comprehensive test ban priority. Then, dubbing it "unrealistic" to conceive of non-proliferation merely as a closing of the nuclear club's doors, he proposed a two-stage treaty. First, the club members should be required not only to abstain from handing out nuclear arms or know-how, but also to stop making these arms and start reducing their arsenals. Only then should other states become bound not to make or acquire nuclear arms. But Mr Trivedi suggested that, between the two stages, non-nuclear states might maintain a voluntary abstention.

Such a voluntary abstention had also been suggested by the Italian foreign minister, Signor Fanfani, when he addressed the conference on July 29th. But this proposal was offered only as a second-best. If this conference achieves no early non-proliferation agreement, Italy may invite all its non-nuclear fellows to observe a strictly temporary moratorium on going nuclear, on condition that the nuclear powers resume negotiation in earnest. This idea may well be the only monument to this session that is left standing when it ends.

Here it might aptly be noted that the French government has just published a new explanation of its absence from Geneva. It is staying away, it says, "in order to warn world opinion" that these negotiations cannot lead anywhere, because nuclear disarmament should be negotiated only between the five nuclear powers and because it has been "a move in the wrong direction" to let others, especially non-aligned states, take part. The "others," in the stated French view, lack the knowledge to make any substantial contribution. In reply to this lofty argument, it is natural to ask: ignorant they may be, but can they be safely ignored?

A rather similar petulance was noticeable in some British comment on the Canadian draft treaty that General Burns brought to Geneva. While the original British non-proliferation draft concentrated on simple pledges that nuclear arms, or help in making them, would be neither offered nor accepted, the Canadians (who were duly dubbed "rather academic") shared other non-nuclear states' wish for guarantees against nuclear attack—although General Burns concedes that these guarantees need not be made part of the basic treaty. They also wanted some means of verifying compliance, and sanctions to reduce the temptation not to comply. If a number of nations failed to adhere to the treaty, Canada thought its implementation should not go any further. In any case, it should be valid only for a limited period, so that the nuclear powers would be under pressure to reduce their own armaments. Some might think these terms realistic rather than academic, from the non-nuclear viewpoint.

The British argument that the non-nuclear states' points should

In Article I (1) of the American draft treaty, each signatory nuclear power undertakes "not to transfer any nuclear weapons into the national control of any non-nuclear state, either directly, or indirectly through a military alliance"; and each undertakes "not to take any other action which would cause an increase in the total number of states and other organisations having independent power to use nuclear weapons."

In Atricle II (1), the non-nuclear parties undertake, in corresponding terms, not to make or receive nuclear weapons, nor to take action that would increase the number of states and organisations with independent nuclear power.

On August 18th Mr Foster said that "there is only one theoretical contingency left open in which it might be remotely possible to change over to some form of majority vote in such a [Nato nuclear] force. . . . That would arise if one of the nuclear participants were to turn over to the force all of its weapons and also give up its veto over them. That would be in conformity with the draft treaty. . . ."

Commenting on the draft, Lord Chalfont said that "we would like to see these articles amended to make it absolutely clear that we are opposed to the creation of any association capable of using nuclear weapons without the consent of an existing nuclear power."

be kept out of the basic treaty may prevail ; some, at least, of these points might be negotiated separately. But Lord Chalfont's zeal for simplicity has not saved him from entanglement in the trickiest of all aspects of non-proliferation—its relationship to the projects for Nato nuclear sharing. Mr Tsarapkin spurns the provision of an "escape clause" that would permit the Russians to denounce the treaty if they were later confronted with a Nato nuclear scheme which they regarded as a real threat. He still maintains that non-proliferation cannot be seriously discussed at all while such schemes are afoot.

Lord Chalfont would like to be able to offer Russia a draft that barred all future possibility of any group of western allies becoming capable of using nuclear arms without the consent of an existing nuclear power. The draft presented on Tuesday by Mr Foster does not absolutely bar this. Its wording reveals a slender chink through which some day, a group dominated by west Germany might conceivably get a finger on its own nuclear trigger.

In Mr Tsarapkin's eyes, this chink is an open barn door. But, in his eyes, the British formula, which would shut it up altogether, is apparently just as bad. And as long as Russia sees an insuperable barrier to a non-proliferation treaty in any and every form of the Nato sharing concept to which the major western allies remain attached, no amount of subtle redrafting is going to break the deadlock. After the German elections on September 19th, of course, things might become easier. But the Geneva talks are due to adjourn just at that moment.

RUSSIAN WRITERS

Taxi drivers of Yalta

It is always an ominous sign for writers in the Soviet Union when "ordinary citizens" begin writing letters to the papers criticising their work. According to *Izvestia* of August 14th the latest writer to feel the force of this rule is Vassily Aksenov who, in a story published last year in a youth magazine called *Yunost*, had written about a pair of delinquent taxi drivers and their escapades. Now taxi drivers from Yalta have written protesting against this slur on the profession, and *Izvestia* has improved the shining hour by speaking severely of writers who give "a deformed image of Soviet society, when the true aim of Soviet literature is to facilitate the education of new men as active builders of communist society." For good measure, the leader-writer throws in an attack on Alexander Solzhenitsin, the author of "One Day in the Life of Ivan Denisovich" (an exposé of Russian labour camps) and on the review *Novy Mir* as showing "a special predilection for negative works."

Another newspaper, *Moscovskaya Pravda*, reveals that the Russian police have discovered a secret printing press devoted to the manufacture of Orthodox prayer-books and "Catholic images." The printing was done on the premises of an agricultural institute and one of those concerned, Roman Martynov, was an agronomist. The paper comments grimly that "Christian pardon" will not be granted to the perpetrators of this infringement of Soviet law.

The publicity given to the Brooke trial seems to confirm a tightening up on the Russian cultural front. There is evidence to show that the Russian authorities have recently become alarmed by the contacts between intellectuals in Russia and the West, and particularly by the two-way traffic in non-conformist literature that has been going on over the past few years. Perhaps among the seditious material Mr Brooke was accused of importing into Russia were copies of the review *Grani* (published in Germany) which is known for publishing works that run contrary to the party line and have been smuggled out of the Soviet Union. In any case, the trial itself and Mr Brooke's sentence of one year in prison and four years in a labour camp (now confirmed) were a warning to Russian intellectuals not to have anything to do with their western opposite numbers.

These possibly disconnected events come after some months during which the battle for intellectual freedom in Russia had appeared to hang in the balance. Probably the new trend does not mean the burial of intellectual hopes. But the Brooke trial does suggest that the control of Russian intellectuals is again for the time being becoming the business of the police.

SÃO PAULO

Fleas in the skyscraper

FROM OUR BRAZIL CORRESPONDENT

"Vote for me and get a new city" may have seemed an odd slogan for the successful candidate for mayor in the fastest growing city in the world, built almost entirely in the twentieth century. The brilliant facade of São Paulo, its vitality and hectic growth, distinguish it from the disorganised mess and muddle of downtown Rio de Janeiro. But the *paulistanos*, who traditionally turn up their noses at the deficiences of Rio, may in so doing twist their ankles on a shattered pavement, break the back-axles of their cars on unmade streets or fall down uncovered manholes.

Brigadier José Vicente Faria Lima, who became mayor of São Paulo in March, is equipped to tackle the city's accumulated problems. As a young man, he was one of an adventurous band of pilots who pioneered Brazil's air force under Getulio Vargas and helped to push passenger and airmail services out to the remoter areas of the huge country. As minister of communications during the governorship of Senhor Jânio Quadros, he reorganised the São Paulo state airline, Vasp, and turned it into one of the most efficient services in Brazil. Politically, he is identified with the "new broom" approach of Quadros ; he has said that one of his first tasks is to clean up the garbage.

Ironically, the municipality of Brazil's wealthiest city is poor. Greater Rio de Janeiro, with 800,000 fewer inhabitants than São Paulo's 4.7 million people, has a budget nearly three times as large. São Paulo city's 500 square miles, interlaced by 5,000 miles of streets and covered with half a millon buildings, some with as many as 32 floors, lack, among other things, sufficient parks and squares.

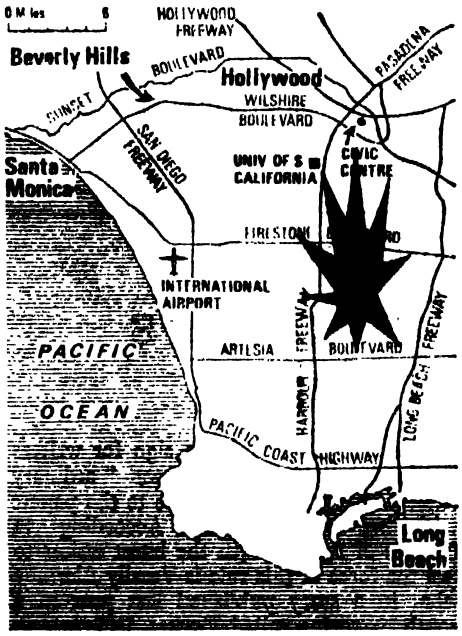
On fine Sundays, the Praça da República a small central lung, is packed with stamp, coin and book fanciers who crowd round the stalls ; and with men lolling on the few benches reading the formidable local press (25 newspapers, 210 magazines) while some of the most expert and dedicated boot-blacks in the world polish their shoes to mirror-like brilliance. Mingled with the middle class crowd are straggling bunches of *favelados*, the largely coloured slum dwellers from the squatters' towns on nearby hills, whose poverty is a reproach to the city's exuberant prosperity.

The superficial cosmopolitan glamour is expressed in even taller buildings, huge new shopping centres and hundreds of good hotels, cinemas, restaurants, bars and night-clubs. There are 18 radio and 7 television stations. But Senhor Faria Lima says his main aim is to improve what are basically poor living conditions for the majority of the people. Inadequate urban transport (there is no underground railway) causes people to spend 4 or 5 hours a day travelling in packed buses, trams and trolleybuses. Large residential areas have no telephones. Poor street-lighting helps crime. Like great cities everywhere, São Paulo is paying the price for hypertrophied development: an increasingly neurotic population with a high incidence of juvenile delinquency. Night and day the noise is becoming intolerable even to Brazilians. The traffic jams in the many winding, narrow streets, a legacy of the old hilly rural township, now buried beneath a concrete mass, are insoluble until the heavy through-traffic is diverted.

But Senhor Faria Lima, whose problems range from a shortage of schools to a plague of fleas on the buses, is an optimist. He thinks it a good sign that the *paulistanos* have shaken off their obstinate regionalism sufficiently to have elected him, a *carioca*, a native of Rio, to help them out.

THE WORLD □ AMERICAN SURVEY

Distressing and depressing as it was, it was not an unnatural coincidence that the most violent racial disturbance that there has ever been in the United States should break out in Los Angeles, just as in Washington the Administration and the national leaders of the civil rights movement were celebrating the passage of the Voting Rights Act. This was hailed as completing the revolution which has given the southern Negro what his northern brother already had – full legal equality with white Americans. That actually the Negro is still far from equal, even less so perhaps in the North than in the South, explains the revolt in Los Angeles where soldiers were needed to restore peace to a city which had prided itself, not altogether rightly, on its excellent race relations. The arson, looting, sniping, were a protest against the frustrations of an inferiority from which there was no escape. Special correspondents describe the background and aftermath of the tragedy.



Black Ghetto in revolt

In Los Angeles, a long and tedious reconstruction—of events as well as of property—is under way. It is not without surprises. The statistics, of course, were in just as soon as the rioting was stamped down: 34 dead (most of them Negro); more than 800 injured and treated at hospital; some 3,800 arrested; damage to property assessed at more than $175,000,000. There has been, throughout the country, a certain fascination with the figures and the graphic pictures of the rioting: they seemed to make real and concrete events which presumably lacked either reason or design. But what has also begun to emerge, in California at any rate, is an awareness that the rioting and destruction was not quite as chaotic, inexplicable, or unplanned as had appeared at first.

To be sure, the initial incident that triggered the five days of holocaust was the casual arrest of a young Negro, on a charge of drunken driving, and his subsequent resistance. The prisoner was hauled into a police car and driven away—a common enough story but not one to provoke insurrection. But at a meeting called by California's Governor, Mr Pat Brown, on Monday evening, several Negro spokesmen made it clear that the incident only served to dramatise one of the more specific grievances of the Negro communities in Los Angeles—the distrust and hostility they feel for the city's Chief of Police, Mr William Parker. Their complaint is a familiar one by now in northern and western cities; that the police prejudge Negroes, particularly the young teenagers, largely on the basis of their colour. Negroes are often, it is said, "rousted" (that is, taken to gaol on suspicion) and roughed up by the police, most of whom are white. Moreover the Negroes believe that employers are warned by the police against hiring youths who have a record of arrests, even if not of convictions. The result is that the Negroes—and particularly the young ones—have come to regard Mr Parker and the police as a colonial force whose sole purpose is to keep the whites in power and harass the Negroes.

That they are subjugated, they have little doubt. The Negroes live in, and cannot break out of, slums like Watts (98 per cent Negro and with 87 per cent of its houses built before 1939). This was where the riot was ignited, spreading out over 40 square miles of the city. The Negroes' schools are overcrowded, poorly taught and racially segregated in fact, although not in law. There are 600,000 Negroes in Los Angeles and approximately 30 per cent are unemployed; most of them are unskilled and many are illiterate; nearly a third of the youths under 18 come from broken homes. It is a familiar pattern with, by now, fairly predictable sociological results: a breakdown of family, of morality, a lack of leadership within the unemployed lower class, complemented by an absence of participation in the community. Thus few, if any, of the Negroes could muster up a sense of responsibility for what had taken place. The fault lay with white society, with false expectations—"all this civil rights legislation and nothing changed for us"—and with the police.

It appears that the riots were initiated, at first, by various gangs of Negro youths, the thousands of young men, unemployed and largely unemployable, who roam the streets. At the end of the first day the gang leaders met in what they called a War Council, distributed assignments and carried out a rough plan of attack, with the rioting spreading from one "turf" to the next. This was of course soon swallowed up by general looting and pillaging by the rest of the Negro community. Indeed, even though most of the destruction was aimed at the white population, there was some discrimination. In downtown Los Angeles the office of an agency which has worked with the Negro gangs was left untouched while buildings on each side were razed. Similarly, the properties that were gutted first in Watts were the shops that traded on credit; the records were destroyed. The Black Muslims, the Negro nationalist group, do not seem to have come in until the tail end of the rioting, when they staged a demonstration in Long Beach, a white residential community. And on Wednesday, when peace had been restored, they clashed directly with police investigating a report that arms were being collected in the Muslim headquarters.

Unfortunately by their violence the Negroes have undermined their campaign to get rid of the hated Chief of Police. He commands a loyal following within the white community and his prestige is now being built up with "I told you so" tough talk. He has the backing of the Mayor. Unfortunately also the Negro leadership in Los Angeles is weak and fragmented itself. Clergymen and civil rights groups tend to build their own separate followings and cling to them jealously. Furthermore, as was shown by their futile efforts to quell the riots, these leaders rarely command the loyalty of the unemployed lower-class Negroes. Now they are confronted with the defection of some of the white liberals who have been attempting with them to oust Mr Parker.

For, if anyone has been shaken by the violence, it has been the middle-of-the-road, well-intentioned whites. Now, they contend, the federal and state governments must deal with the situation. Local action cannot provide a solution, they say; action from above is needed. In the past, advice and offers of help from Washington have been rejected as unnecessary interference; for some time over $20 million in funds due under the poverty programme have been tied up because of local political feuds; this was one of the factors behind the rioting, but at last officials have been dispatched to Los Angeles with orders to get things moving. Meanwhile, the Governor, seeking some immediate means of injecting money and jobs into the Negro community, has announced that $1.7 million from poverty funds will be used for reconstruction with unemployed Negroes doing the work.

At the back of everyone's mind is the fear that white extremists —Los Angeles is one of their hotbeds—may begin to organise vigilante groups. Stocks of firearms have been bought up by whites throughout the city; (Mr Parker has been censured by the Governor for saying that this private arming is justifiable). In a few isolated instances, bands of whites have accosted Negroes; so far, though, the incidents have been scattered and racial war does not seem imminent. By mid-week officials in New York, Philadelphia and Washington were beginning to breathe more easily; the riots, for the moment, did not appear to be contagious. But no one expects the pause to be more than a momentary one. Politicians as well as sociologists are beginning to recognise that what is needed is a radical change in the social structure.

Taking War in its Stride

WASHINGTON, DC

It is difficult for many Americans to believe that their country can fight a war in Vietnam, increase the size of the armed forces to do so and still not only continue business-as-usual at home but also absorb the large increase in the government's domestic expenditures which is involved in the President's programme for his Great Society. Indeed the Republicans in Congress, finding at last an issue upon which they can unite and one that seems to make sense, are apparently planning a major attack along these lines. The vehicle is ready at hand; while the authorising legislation for the President's programme for education, health, the war on poverty and the like has mostly been enacted, the necessary appropriations have not. Thus this Congress may yet see a major fight on what is essentially a guns-or-butter issue and the President may not find it easy to carry the day.

The economics of the case, however, back up the Administration in its insistence that no choice between guns or butter has been posed by the war. It now appears that spending on defence will rise by $4 to $5 billion in the current 1966 fiscal year from the level of the year that ended on June 30th—about 10 per cent; this rise to only $2 to $3 billion adds the original estimate for 1966. This additional spending is considered to be not only tolerable, but even desirable in economic terms, for two reasons.

The most important is that the extra money will be pouring into the economy mainly in the first six months of next year, precisely the time when the large increase in social security taxes due for January 1st will be exerting some drag on demand. The government's economists had long been worried about the first half of 1966. Congress's approval of a further reduction in excise taxes for January 1st eased their fears somewhat and they were not expecting an actual recession, as were some private analysts. But there was still concern that the economic expansion would lose some of its vigour. With the continued heavy influx of young people into the job market, the expansion must continue to be buoyant if unemployment is not to rise from its current level of 4.5 per cent of the labour force.

The second reason is related to the first. After two years of sharply-rising outlays by businessmen for new plant and equipment —with such investment growing nearly twice as fast as the gross national product—there have begun to be some fears that capacity might be over-expanded. Manufacturing industry is now operating at 88 or 89 per cent of capacity on the average and some unpublished government studies had estimated that the operating rate would be falling by the end of the year, though actual output would still be growing. This again was the classic condition calling for a new injection of stimulants by the government and the war came like a *deus ex machina* to provide it. It seems hard to believe, but there is actually a school of respected economists who fear that the additional defence spending will not provide enough extra demand and that next year the danger for the American economy will still be sluggishness, over-capacity and rising unemployment.

None of this should be interpreted, of course, as meaning that anyone, in or out of government, likes the war. The government's economists would have far preferred to supply any additional stimulus that was needed by means of another tax reduction or a further expansion of domestic welfare programmes and they were planning to do so. The war, distasteful as it is, has simply done the job for them. Moreover, all of this relates only to the period up to about the middle of next year. There are more or less constant unofficial warnings that the recent decisions to increase the number of men in Vietnam and to raise the total size of the armed services are only the beginning. This may turn out to be true, but there is no real evidence at hand on which to base such a prediction.

In terms of economic impact alone, the primary measure of the war is not how many men there are in Vietnam but how large are the total armed forces. Naturally there is some "chewing up" of ammunition and other supplies in actual combat, but the amounts are not large. The reason for the planned increase in defence spending is not the fact that there are now 125,000 men in Vietnam instead of 50,000 or 75,000, but the fact that the total number of men in the armed services is to be increased by 340,000, or about 13 per cent. This figure was not plucked from the air. It is designed to provide the forces with enough men to meet any likely demand for further increases in the troops at the war while maintaining the necessary reserves at home. No one can say for certain that another increase in the armed services will not be needed but, if the present decision stands, which is the most likely prospect, the economic burden of the war will remain well within the limits of tolerability. It is quite probable, of course, that even with no further increase in the size of the forces defence spending will rise again in the next fiscal year, beginning in mid-1966. But by that time the government will once again be faced with the pleasant problem of what to do with the $7 billion of additional tax revenue that the economy now generates each year.

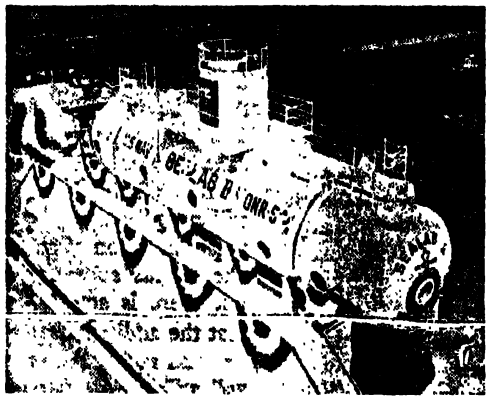
As for the balance of America's international payments, the stepping up of the war will have some adverse impact but the best

estimates at the moment are that it will not be large. To the extent that the troops spend their money in Vietnam, the balance of payments will be affected, but at least in principle the resulting growth in the dollar resources of the Saigon government should permit American aid to be reduced. The much more important question is whether the war could push the American economy into a situation of inflationary overstrain, which would affect the country's international accounts seriously. But so far the economy is simply not pressing against the limits of its constantly expanding capacity. And no increase in the war effort that can be foreseen at present is likely to place it in that situation. A revealing demonstration of this truth came the other day when producers of copper products were asked to set aside 5 per cent, instead of the former 4.5 per cent, of their output to fill defence orders; copper is the only important material that shows signs of being in short supply.

All of this is difficult to grasp, both at home and abroad. But the underlying situation illustrates dramatically, once again, the ironic but great advantage of having some unemployment to go along with pure size. It is unemployment that has made possible federal tax cuts at a time of rising spending on a host of desirable domestic programmes; it is unemployment that is making possible a larger defence effort without inflationary strain; and—in the view of most observers in Washington, at least—it is the lack of unemployment that has got Britain into its current difficulty. Another way of stating the case is that the present situation illustrates the blessing of having a rapidly growing labour force. For

Underwater Industry

FROM A CORRESPONDENT IN CALIFORNIA



This weekend, if all goes according to plan, Sealab II, the United States Navy's second manned underwater laboratory, will be towed half a mile off shore from La Jolla, a suburb of San Diego, California, and submerged to a depth of 210 feet. There, for a month, this cylinder, 57 feet long and 12 feet in diameter, complete with lights and hot showers, will serve as the "home" of two ten-man teams of "acquanauts," naval and civilian scientists; the leader is a former astronaut, Commander Scott Carpenter, and each team will stay down for a fortnight.

This is by no means the first project of its kind; the French have been pioneers in oceanography and last year four American divers spent 11 days 193 feet down off the coast of Bermuda in Sealab I. For some years now America's interest in "inner space" has gradually been awakening. The new concern began with the nuclear submarines, which stay under water for months at a time, and was sharpened by the tragic and mysterious foundering of one of them, the *Thresher*.

But today industry is becoming aware of the vast untapped resources of oil, metals, raw materials for drugs and even food in the ocean. According to the experts, within ten years the exploration of the ocean will be attracting as much popular attention as does the exploration of space today and the return from exploiting the wealth under the sea will run into hundreds of millions of dollars a year.

In this month's experiment, to test the ability of men to live and work under water for long periods, the divers will emerge from the cylinder to raise a submerged aircraft by pumping it full of plastic foam, to repair a submarine hull with a stud gun, to assemble an oil-drilling rig from beneath the surface and to mine minerals from the ocean bottom. The San Diego area was chosen because of the mild climate, the comparatively stable ocean conditions and a deep trench offshore. Furthermore, not only is San Diego a naval base but specialised help can also be obtained from the Navy Electronics Research Laboratory, the Navy's advanced instrumentation research facility, the Bureau of Commercial Fisheries' marine biology laboratory and the Scripps Institution of Oceanography, now a branch of the University of California, all of which are in or near San Diego.

Scripps is both the oldest and the largest establishment devoted to such research in the United States; since it was set up fifty years ago it has provided a constant stream of oceanographers to staff other institutions, government and international agencies and industrial laboratories. Its research ships sail all over the world and it has provided some of the civilian divers for the Sealab II project. Its experts also designed the Bethnic Laboratory, an undersea telemetry station which will serve as the "central switchboard" for the underwater community, providing channels for television, voices and the transmission of data. Sealab will also be equipped with arms manipulated by remote control from the shore, so that it can make its own repairs.

A number of satellite enterprises have clustered around Scripps and the neighbouring government research facilities, producing for them, and for commercial customers, buoys, platforms, cables, anchors, and such specialised instruments as bathythermometers (to measure the temperature-depth ratio of sea water) and salinometers (to measure its saltiness). Not all these firms are small. They include, for example, the Convair division of General Dynamics Corporation and Lockheed Aircraft. The practical interest being shown by these giant firms and by other big companies such as Westinghouse Electric, Litton Industries, Union Carbide, and so on, is a most significant development for the future of oceanography.

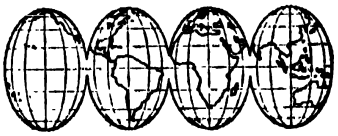
The enthusiasm of the experts, the promotions of the Chamber of Commerce—San Diego considers itself the oceanographic capital of the United States—count for little in the absence of money and so far oceanography has lacked this. The chief source of funds is the government; the Navy is in the midst of a ten-year, $1 billion research and development programme and the Federal Council for Science and Technology is committed to spend some $2 billion between 1963 and 1972. The sums are large, but are being allocated over long periods and the lion's share will, inevitably, go to the Navy. The remaining money has to be spread out over the whole spectrum of government departments and what is left must be scrambled for between private industry and the research institutions.

The latter wish that industry would commit some of its own funds to exploiting the potentially profitable resources of the ocean. Perhaps before long it will. The way that such firms as Westinghouse and Litton are acting suggests that they believe that investment in oceanography will yield a profitable return eventually. For example, Lockheed is now a partner in a project which is trying to find ways of dredging phosphorite for fertiliser, manganese, precious metals, from the continental shelf. Union Carbide is involved in a new venture concerned with how deep diving might facilitate drilling for oil offshore. Sealab II's efforts are supposed to advance such undertakings; if it succeeds it may help loosen the pursestrings of industry.

Chicago's State Street the world's busiest retail trade market place

Our headquarters are in Chicago.

Our operations cover the world.



Where in the world are *you?*

No matter, we're nearby.

Coming from a bank between New York and California, this may surprise you.

But then again, our entire international operation is pretty surprising.

For one thing, we do more international business, and we have more overseas facilities, than any other Midwest bank.

Two branches in London and one each in Tokyo and Osaka. We also have a representative office in Zurich. And, for your convenience, a subsidiary in New York, Continental Bank International. Our activity in foreign exchange trading and short-term investing makes us a major factor in the world money market.

Add to this our 3,100 correspondent banking connections and what have you got?

A bank that can serve you anywhere in the world.

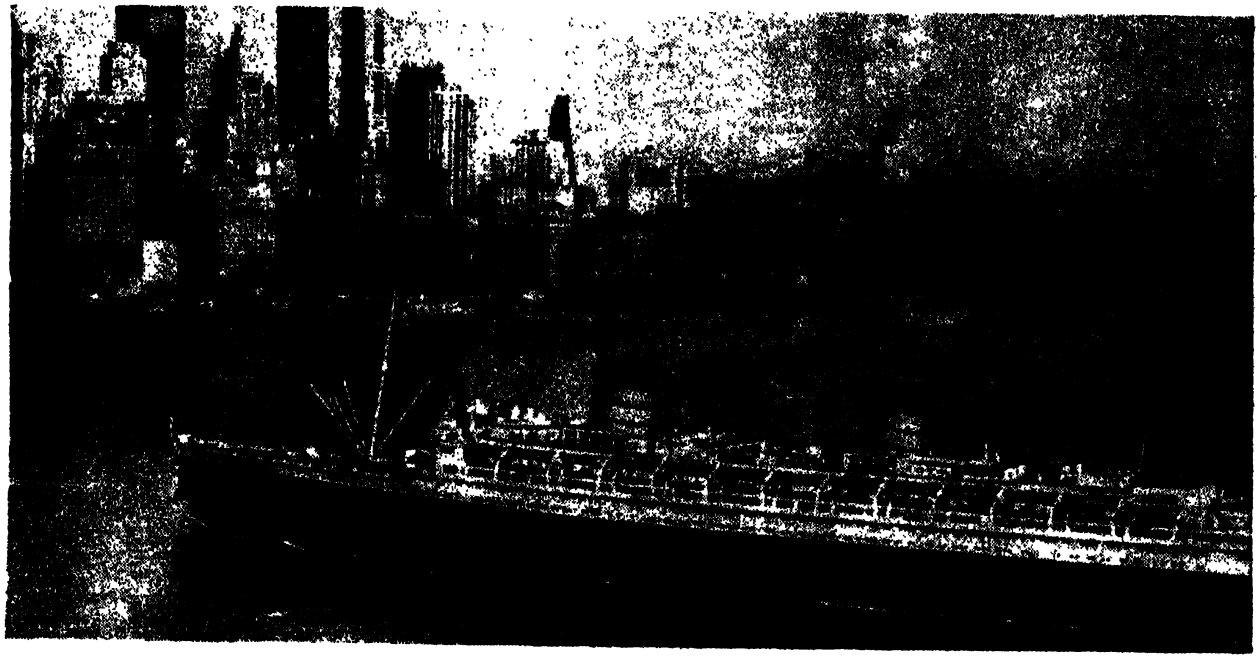
That's the extent of it.

CONTINENTAL BANK

Continental Illinois National Bank and Trust Company of Chicago

231 South La Salle Street, Chicago, Illinois 60690 • Member Federal Deposit Insurance Corporation

©C I N B. 1965



How far away is New York by great Cunard 'Queen'?

A long weekend

Cunard have revived the long weekend. It starts towards the end of the week, when a great 'Queen' leaves Southampton; and it finishes early the next week, in the heart of New York.

And right in the middle of your crossing: Saturday and Sunday.

It will seem like the shortest long weekend you ever had. Certainly the greatest. For 3 irrefutable reasons: sea, ship and service.

The sea
Vast skies, warm sun, and salt spray. Good health you can reach out and touch.

Your ship
Your 'Queen' has decks the length of a village street. Her engine room generates enough power to light a big county town. She's fast. And smooth.

But mainly Cunard service
Cunard service means many things. Like 5 new films per crossing. The best roast beef you ever tasted, chosen from great international menus.

A splendour of public rooms, and gymnasiums, and swimming pools, and night clubs, and shops. It means phones and secretaries should you need to work.

Cunard service also means charming, unlikely touches like floral gardens. Thoughtful touches like your ship's own daily newspaper. Fun touches like horse racing.

And it means *instant* service at the press of a button. Marvellous personal care and attention, often from members of third generation Cunard families. For with Cunard, you see, service is in the blood.

Some people can't make up their minds which they prefer, speed or a wonderful long weekend. They go one-way Cunard, and one-way B.O.A.C./Cunard.

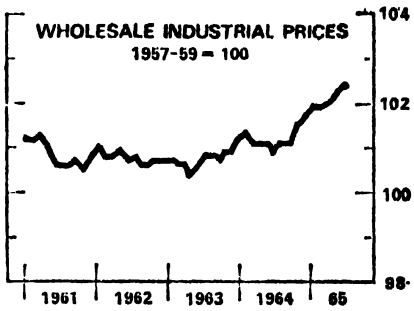
And get the best of both worlds.

One-way fares by 'Queen' from:
First £169
Cabin £103
Tourist £86
Special excursion fares from September 28.

See your Travel Agent or any Cunard or BOAC office. CUNARD LINE, Cunard Building, Liverpool 3 (Liverpool MARitime 3000). 15 Lower Regent St., London, SW1 (WHItehall 7890). 88 Leadenhall St., London, EC3 (AVEnue 3010).

CUNARD – the long weekend to the States

American unemployment is no longer, for the most part, of the kind that causes hardship. Less than 3 per cent of adult men are now without jobs; this is virtually full employment by American calculations. The rest of the jobless are women and teenagers—and 1.9 million of them have found work in the past year, during which the total number employed increased by a remarkable 2.4 million. It is true that this achievement has had the predictable effect of encouraging the trade unions to demand, and get, bigger wage increases. So far this year the increases have averaged about 4 per cent, while the Administration's non-inflationary guidepost, based on productivity, allows for increases of only 3.2 per cent. The impending settlement in the steel industy is being awaited with considerable trepidation.



But the fact remains that unemployment is still high enough—or perhaps union responsibility is great enough—for the excess of wage increases to be much less than was the excess in the nineteen-fifties when inflation was last a problem. The price indices show it. In the past year wholesale industrial prices have risen enough to cause concern but far less than the 3 or 4 per cent or even more which was typical in the bad old days. As new plants spring up all over the country, as productivity rises steadily and as young people swarm into the job market, the sheer capacity of the American economy is growing annually by at least 4 per cent, or $25 billion a year in terms of the gross national product. Unhappily, some of that growth will now be devoted to war, but there will be plenty left over for the affluent, and hopefully great, society.

Aid out of the Woods

It had begun to look as if nothing would resolve the deadlock on this year's foreign aid Bill. Even though Congress has been pushing to adjourn by the middle of September, the conference committee from the Senate and the House of Representatives could not come to an agreement on the widely differing versions of the measure to authorise foreign aid for the current fiscal year. The Senate had included some novelties in its Bill, chiefly a provision dear to the heart of Senator Fulbright, of Arkansas, authorising funds now for each of the next two fiscal years. But as much as Mr Fulbright, the chairman of the Foreign Relations Committee, hoped thus to save the foreign aid programme from its annual thrashing in Congress, just as much did Mr Morgan, head of the House Foreign Affairs Committee, want to keep his right to bring it to rein once a year.

The impasse was finally broken when the Administration stepped in and persuaded the conference members from the House to agree that next year they would consider sympathetically proposals to authorise foreign aid for two or more years. But for this year the authorisation will be for twelve months only. The actual amount of the funds to be authorised provided little trouble; the conferees settled on $3.36 billion, about $20 million less than President Johnson had requested. Of the total, $1.17 billion will go to military aid, while the rest will be used for economic development. With the horse-trading now concluded, the House team has been declared the victors. Senator Wayne Morse of Oregon is furious at the "complete surrender" of his colleagues, especially since his own pet provision in the Senate's Bill—a call for a complete overhaul of American foreign aid and an end to the programme in its current form by 1967—seems to have been dropped by the wayside. He promises trouble when the compromise Bill reaches the Senate floor. There will be yet another chance for dissension when a subsequent Bill, actually appropriating the money, comes up.

President Johnson shows every sign of having heard those critics who say that he has never shared President Kennedy's enthusiasm for the Alliance for Progress, the project to spend $10 billion over ten years to help Latin American social and economic development. This week, on the fourth anniversary of the scheme's inception, the President effusively pledged himself to work toward its goals. He also had some tangibles to offer, in particular a request to Congress to eliminate the import fee on sugar by which the United States raises the price of cheaper foreign sugar to the level of the more expensive domestic product. He promised funds for large-scale engineering works which might draw Latin American nations closer together and he hoped that they would join in economic ventures, in the manner of the European Coal and Steel Community, to provide the manufactured products needed to increase farm output. The President also acknowledged the bitterest criticism of the Alliance by asking that more of its efforts go to improve housing, food and schools—in other words, to reach the poor as individuals.

More Military

Sympathy for American boys under fire in Vietnam has spurred Congress to approve a rise in pay for the armed forces that is more than twice the increase sought by President Johnson. So popular is the measure—the Senate passed it unanimously—that the President is expected to sign it without a murmur, even though it is the kind of rebuff from Congress to which he is not accustomed. What the Administration had asked for was a rise in military pay amounting in all to about $447 million a year; that would be in line with the 3.5 per cent increase which it has recommended for all employees of the federal government. But Congressmen, sensitive to reports that enlistments have been falling and that military families are living on relief payments or on the husband's earnings from a second job, wanted to be more generous. The result, which will cost about $1 billion a year, gives an average rise of 10.4 per cent to 4.2 million military personnel, either on active duty, in the reserves or retired. Even so their pay packets will not exactly bulge beside those of private industry. Enlisted men with less than two years' service will get their first rise since 1952, to $88 a month, and a first lieutenant $505 a month; these sums do not include any allowances which the men may receive.

Using the crisis in Vietnam as a shield, Congress has delivered another slap to the Administration on a military matter. A subcommittee of the House of Representatives killed—for the time being at least—the cherished plan of Mr McNamara, the Secretary of Defence, for merging the Army Reserves and the National Guard (the American counterpart of the British Territorials). As he sees it, the merger, resulting in a single, smaller but streamlined unit of 550,000 men, would bring a gain of "combat readiness" and a saving of $150 million a year. But the subcommittee argued, and many Congressmen, reservists themselves, agreed that the build-up of the fighting forces in Vietnam would be jeopardised by shaking up the structure of the reserves. The Army insists, nonetheless, that, if there is a call-up of the reserves (which as yet there has not been), it would affect only those units with high priority and not those, undermanned and underequipped, which are earmarked for reorganisation. In the foreseeable future, the Selective Service System can supply all the conscripts that the Army needs from the half million physically fit and otherwise qualified unmarried men between 19 and 26 years of age who are already on its lists.

Curtains for Camelot

SOME small reward has been salvaged from the ruins of the Army's Project Camelot, the bumbling research study into "potential insurgency factors" in Chile. President Johnson has given the Secretary of State what he should have had all along—the authority to review the propriety of all government social science projects which might affect foreign relations. The State Department, which has the *savoir faire* not to interview foreign academic figures about the prospects for revolution in their own countries, will also consult with the Bureau of the Budget before such ventures are allowed off the ground in future. This presidential directive should strengthen the authority of the State Department; with a budget of only about $4 million a year for research, and only the tiny sum of $125,000 a year for contracts to universities and other private organisations for this work, the department is subject to grilling by Congressmen for spending such niggling sums as $986 on a week-end conference on China, while other agencies which are the really big spenders on research into questions affecting foreign policy—the Central Intelligence Agency, in particular—have a much freer hand.

What the Camelot fiasco revealed, among other things, was the disproportion between the funds available to the Defence Department for research and those available to the State Department. At the Pentagon, with $20 million or so a year earmarked for "research," projects like Camelot, costing a modest $6 million over several years, almost escape notice. Had not newspapers in Chile discovered what was going on and aroused the anger of the American Ambassador there (he had not been told about it), the Army's social scientists might have moved on to Argentina, Colombia, Peru and Venezuela, asking (in Spanish, one hopes) about local "indicators of internal war potential." It has now turned out that Brazil was to have been the object of yet another analysis—to find ways of influencing social change there. That too has been nipped in the bud.

Much of the embarrassment over Camelot seemed to be concerned with its bad public relations. The Defence Department looked clumsy, the State Department as if it did not know what was going on. But the *St Louis Post-Dispatch* raised the larger issue: "It is not yet, at least, proclaimed American policy to oppose all revolutions of any kind anywhere." Yet this was the logical conclusion for the Chileans to draw, with Camelot hot on the heels of the intervention in the Dominican Republic. What was also not given a full enough airing was the fact that people abroad do not always share the American enthusiasm for psychological surveys into private thoughts and behaviour, even if their interviewers are independent researchers who have no connection with a foreign military establishment.

Two-price Gas

MR SWIDLER, the retiring chairman of the Federal Power Commission, which oversees the electricity and natural gas industries, has just given a handsome farewell present to the consumers whom he has looked after so well. The commission has decided that producers of natural gas in the Permian Basin, a region in Texas and New Mexico from which comes about 11 per cent of the country's supply of this fuel, should not be allowed to charge the pipeline companies, which distribute the gas to customers, more than 16.5 cents a thousand cubic feet. Under existing contracts producers have been charging up to 20 cents and they sought to have this confirmed as the ceiling. The decision is retrospective and refunds amounting to over $30 million will have to be passed on to the pipelines' municipal and industrial customers, and probably to private ones as well; most of them are in California. The new prices are not to be changed before at least January, 1968; until interim ceilings were set in 1961, the trend had been steadily upward.

This is the first time that permanent regulations have been set for natural gas prices at the well-head. The decision was unanimous; this means that it is unlikely to be overturned, although it will certainly be appealed to the courts. It has broad importance because it is expected to set a pattern for rulings on the selling price of gas from other regions which between them provide 75 per cent of a fuel which now supplies over one-third of the energy used in the United States. It is eleven years since the Supreme Court told the FPC that its duty to consumers required it to regulate the prices charged to the pipeline companies as well as the prices they charge to their customers. And it is five years since the commission decided that it could not deal with thousands of individual producers—there are 1,400 in the Permian Basin alone—but must set prices by areas.

The producers naturally argued that this generalised approach would discourage the drilling of expensive and possibly unproductive new wells and that the eventual result would therefore be a shortage of natural gas. The FPC has tried to answer this complaint—but has not satisfied the producers—by allowing a higher return on investment—12 per cent—to gas producers than it does to pipeline companies, which only get 6 per cent, and by setting two prices for the Permian Basin gas. Recent developments make it possible to drill for gas alone; in the old days gas and oil came together. To encourage the production of more gas, the permitted price for so-called "new gas-well gas" will be 16½ cents a thousand cubic feet, compared with 14½ cents when it comes from old wells or ones which also produce oil. The critics object to discriminating between buyers by setting two prices for the same product, depending on where it comes from; it is a criticism which has some validity. The final judgment must wait until it is seen whether producers continue to fill the country's ever-increasing demand for natural gas.

Missiles up to the Minute

FROM A CORRESPONDENT IN COLORADO

AS is now only too well known, after the disastrous explosion ten days ago, the Titan II long-range missile sites, scattered round the southern Great Plains, are being brought up to date. But before long these missiles will presumably be as obsolete as their predecessors, the Titan I and the Atlas, already are. There were 144 of these earlier missiles, sunk eighty feet deep in concrete silos, mostly on the northern plains. They cost $3 billion or more altogether; they became operational in the spring of 1962; they were modernised, as the Titan IIs are now being modernised, in a programme which finished early in 1964. But today the silos are empty and are being sold as surplus property. The highest bid, from a Detroit industrialist who wants to salvage the machinery and industrial equipment which has been left behind, has been $131,107 for 37 of the sites; it is not yet known whether this will be accepted.

The Titans and Atlases are being replaced by Minutemen, which are easier to handle; 800 of these solid-fuelled rockets have now been activated. Each has its own firing pit and they do not have to be sunk in silos; each is fixed permanently on a target 6,000 miles away and each has a warhead reputedly equal to a million tons of TNT, 50 times the power of the Hiroshima bomb of twenty years ago. The whole programme is to cost $12 billion and will be completed with 200 Minutemen II which have a range of 9,000 miles. Already there is talk of an improvement programme for these missiles in their turn.

Beau Geste territory– High Speed Gas well

Gas lies under the Sahara—the great natural gas field at Hassi Er R'Mel is the third largest in the world. The gas is methane, rich in calorific value, free from impurities, the new primary fuel which has been transforming the energy markets of countries fortunate enough to find it.

Now Britain too benefits. For the British gas industry is importing methane by ship from Algeria. Refrigerated and liquefied so that it is reduced to one six-hundredth of its original volume, the gas flows aboard two specially constructed tankers at the Mediterranean port of Arzew.

These 'floating refrigerators' run a shuttle service to Canvey Island where their cargo, which has been travelling at a temperature of –258°F, is discharged, pumped under pressure through evaporators, and then into the national gas pipeline.

Algerian methane is providing the equivalent of about one-tenth of Britain's present gas requirements. And its cost, even after the sea voyage, is far less than gas produced by traditional methods.

In today's high speed world... the gas industry thinks of tomorrow

BRITAIN

Gone to Ground

Secretary Healey (right), ducal interlocutor

THE Duke of Norfolk is no Luddite: but he was dangerously near being forced to look like one last week when the council of the Territorial Army, of which he is chairman, decided that it was "not in the national interest" for the council to co-operate in Mr Healey's scheme for reorganising the army's reserve forces. Certainly, Mr Healey's new model reserves would mean the disappearance of the territorial forces as they now exist: but who do these officers think they are to refuse co-operation? Motormen on the Southern Railway? In any case, the Duke did go to see Mr Healey: and there is a very real and proper role for the territorial associations to play in working out the details of the policy laid down for them. Incidentally, the Conservatives would do well to take a line of constructive criticism of Mr Healey's ideas, rather than the rather wild slashing that some of them seem to be indulging in. A rather good Bow Group publication last March contained some ideas very similar to those that Mr Healey is now working on.

The essence of Mr Healey's sensible outline is that there should be two categories of reservists. Some 8,500 of them would be first-line men, able to be called up and fitted into the regular forces at a moment's notice: the rest of the total force of 50,000 volunteers would be more fully trained and equipped than all but a few reservists or territorials are at present, and would be able to turn out as complete units in an emergency for service with the standing army anywhere in the world.

The points that do need to be negotiated out with the territorial associations are these. First, the terms of service: an obligation must be accepted by the volunteers that ensures that they are truly available, and yet that does not impose such conditions that all potential recruits would be deterred. Secondly, there is the question of what civilian employers would accept, and what can be done to ensure that a volunteer's income would be kept up during any term with the colours, and that he would get his old job back on his return. For a small firm, it would really seem a risk to employ a man in a responsible position who might be whisked off for a whole year: and if a man does not rate a responsible job he is not likely to be a very good reservist.

Furthermore, there is the reorganisation of civil defence that the Home Secretary is going to announce one day. There is a fund of enthusiasm in the territorials which could be put to good use—even if it sometimes seems like enthusiasm for such jolly and improbable belligerent activities as adding a third side to some apocalyptic future show-down between mods and rockers.

It is right that civil defence should be brought together under the civil responsibility of the Home Office: strictly civilian bodies such as local authorities, and independent organisations like the motoring organisations and the Women's Voluntary Services, would be its backbone. What can the remains of the territorials do that does not involve a merely token keeping in use of useless drill halls and kindly ex-sergeants? The territorial associations might come up with a useful idea, if there is one to be had. It would be a shame if there were not.

DRUG ADDICTION

Young Mainliners

THE latest report to the United Nations on drug addiction in this country amply confirms the views of some medical experts who think that Britain should no longer be complacent about the problem. (Addiction in this context is used to mean addiction to narcotic drugs like heroin and cocaine, but not to "purple hearts" or marihuana). It is not just that the number of known addicts has gone up by about two-thirds over the last six years. It is that the bulk of the increase is accounted for by younger people, who now account for about 40 per cent of the total, and that in recent years the teenage heroin and cocaine addict has appeared for the first time. Narcotic addiction in Britain is no longer typified by the middle-aged person who succumbs to it after being treated with a narcotic drug during illness, or by the doctor and nurse who have easy access to drugs. From all expert accounts it appears to be spreading among the young by contact from case to case. The Home Office's figures bear this out as well: of the total number of addicts in 1959, about three-quarters had become addicted in the course of treatment with narcotics and only one in five in other ways. In 1964, about half had a "non-therapeutic origin" for their addiction.

So British policy towards addicts is being questioned. A move in some British doctors' opinion towards more restriction coincides with a move of medical opinion in the United States towards the British system. In brief, that system is based on the principle that narcotics can legitimately be prescribed for an addict, after attempts have been made to cure him, if withdrawal would produce serious symptoms or would prevent him from leading the productive, fairly normal life that a regular supply of a drug en-

ADDICTS: UNITED KINGDOM

	Age groups					
	Under 20	20-34	35-49	50 and over	Not known	Tot
1959	0	50	92	278	34	454
1960	1	62	91	267	16	437
1961	2	94	95	272	7	470
1962	3	126	107	274	22	532
1963	17	184	128	298	8	635
1964	40*	257	138	311	7	753

* 20 boys and 20 girls.

sures him. It is asserted that this principle is not applicable to teenage addicts. Graduates from amphetamine and marihuana, they have hardly worked except when they need to buy drugs illicitly; nor are they old enough to be deemed incurable and put on a regular maintenance dose. Some of the supplies given them licitly they dispose of illicitly to their friends, thereby creating fresh addicts.

By comparison with America, addiction in Britain is still a tiny problem even if the official record of addicts seriously underestimates the real total. There is no need for panic measures such as making addiction, as distinct from traffic in drugs, a police matter. Equally, something should be done quickly to check the spread of the disease among the young. Constructive suggestions will be looked for from the interdepartmental committee on addiction, which met earlier this year to see if any change were needed in its *laisser faire* recommendations of 1961 and is now preparing its report.

POLIO

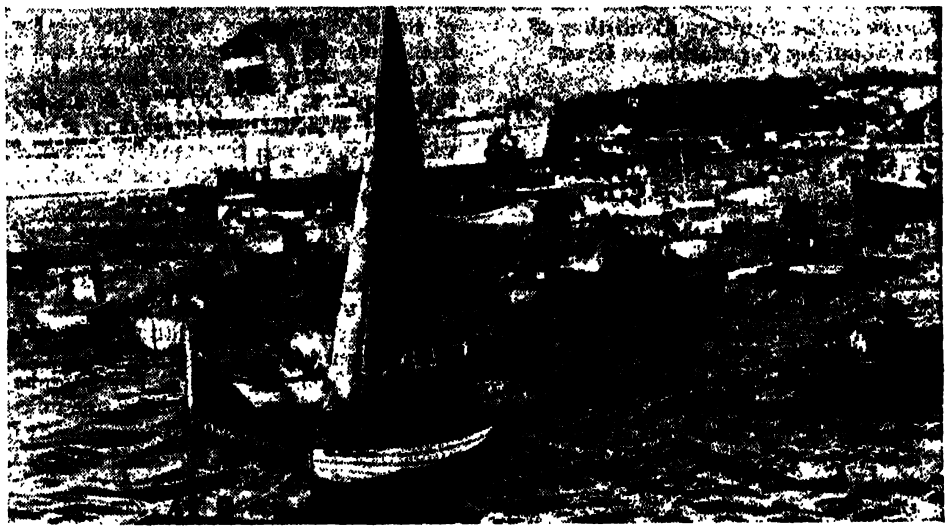
Summer Outbreak

It is the same old story, whether it is of smallpox, diphtheria or poliomyelitis. A serious infectious disease, which can be prevented, declines in its incidence from year to year and parents stop having their children immunised. Then a local outbreak occurs, and the resources of the local health authority have to be mobilised to watch contacts and carry out mass immunisation, and to deal with a press bombardment which they are quite unused to. The town may be virtually put into quarantine, and its inhabitants find their holiday bookings cancelled. So it was with smallpox in Bradford early in 1962. Last year it was typhoid in Aberdeen, the consequence not of immunisation failure but of a breakdown in hygiene in a canning factory in Latin America. This year paratyphoid in Blackpool, caused by unpasteurised milk, has coincided with the first local polio outbreak (at Blackburn) since the one at Hull in the autumn of 1962. By Thursday there were 33 confirmed cases and one suspected.

It is not yet known whether Blackburn's experience with immunisation is better or worse than the national average. But that average is not good enough. According to the Ministry of Health's latest report the percentage of infants vaccinated fell from 66 per cent in 1961 to 60 per cent in 1963. During these years the number of polio cases notified fell from 874 in 1961 to 270 in 1962 and 51 in 1963; last year there were 49 with 5 deaths. For smallpox the high vaccination rate of 70 per cent achieved in 1962 (the year of the outbreak) for young children was not maintained; in 1964 the rate was only 32 per cent. Diphtheria immunisation has fared better, with a rate for young children of 65 to 69 per cent; but many schoolchildren apparently fail to receive their booster dose, for only 58 per cent of them in 1964 could still be regarded as protected.

For all these illnesses the public health authorities aim at a rate of at least 70 to 75 per cent in order to prevent the recurrence of outbreaks. The parents of Blackburn may now have learned their lesson. Whose turn will it be next year?

The Economic Consequences of Mr Manry



FROM OUR SPECIAL CORRESPONDENT

Any flotilla of little boats seen from a green Cornish headland on a sunny day is always a moving sight, especially if you know that somewhere in the middle is a man who had done the Atlantic all by himself. Indeed, the sight is better from a distance as the clutter of newspaper men, cameras, harbour masters and mayors is missing. While the story of Mr Manry is a real adventure yarn, sceptics may wonder if the crowds would have been as big or the newspaper headlines as frequent if he had not sailed into a holiday resort in mid-season. Anyway, this newspaper man from the Cleveland *Plain Dealer* did his bit to fill that August gap in the news.

What was concealed from the watching millions was the fact that under its cheering Georgian exterior, Falmouth is one of the few towns in the country with an unemployment rate in double figures. On top of a normal rate of over 3 per cent has come a mass of 750 men put out of work because of the dispute at the town's most important employer, Gilley and Cox's ship repairing yard. The dispute, which has been going on since May, arose from an award of extra money (3d an hour to unskilled men doing heavy lifting), which was resented by other unions. The argument was not between two of the "traditional" ship building unions but between the Amalgamated Engineering Union and the Transport and General Workers' Union. And perhaps Tuesday's news that the AEU was prepared to allow the dispute to go to arbitration and thus lead to a resumption of work over the next few weeks was more important for Falmouth in the long run than Mr Manry's arrival. For although there has been a boom for a couple of days in the town's sales of fish and chips and the ubiquitous and excellent cream and pasties, the dispute had hit the town's trade very hard.

For Falmouth is still nearly a one company town. Nearly one fifth of the town's 10,000 population work either at ship repairing or in the docks. Falmouth is very well placed for such work but has recently been feeling the competition from Malta and Lisbon. Ship repairing is necessarily a seasonal and irregular trade with the most work coming in the summer when the tourist season is at its height.

The Council is trying hard to attract other industries and has set aside a 17 acre industrial development sight tucked away from the beauty spots. A firm making fishing tackle is starting up in the next few months and the Board of Trade is building an advance factory, which is not yet let. Falmouth's comparative remoteness is not the only reason why new employers are hard to attract. Rightly or wrongly, they fear a labour force that might be tempted back to the shipyards whenever a big tanker puts in for repairs. And the unions' habit of sharing out what work there is on a rota basis has certainly discouraged men from leaving the yards.

This is a pity: Cornwall always attracts Midlanders on holiday and it might seem natural for them to be attracted here for work as well. Falmouth, especially in Tuesday's scenes of enthusiasm, looks far removed from the popular idea of a depressed area.

BOOKS

Health and Society

Report on the Sanitary Condition of the Labouring Population of Great Britain, 1842

By Edwin Chadwick. Edited by M. W. Flinn.

Edinburgh University Press. 443 pages. 70s.

The battle for public health in early nineteenth-century Britain has been carefully reviewed on many occasions in recent years. Historians of medical statistics have subjected population data to close analysis, relating the toll of epidemic outbreaks to the persisting burdens of endemic disease. The standard of living controversy has encouraged debate about ways of life as well as wages and prices. New and often challenging accounts have been provided of the urban environment, the origins of professional groups, the scope of classical political economy and the nature of the administrative process. Biographies of Chadwick and more recently of Simon have added greatly to our knowledge of the fathers of sanitary reform, placing their achievements in perspective for the first time. Attention has been paid also to novelists and poets, who took up "the sanitary idea" as a kind of crusade, a struggle to secure social control and to destroy the blind acceptance of Fate.

Mr Flinn's scholarly edition of Chadwick's great report of 1842 draws heavily on most, although not all, of this recent work. It will be generally welcomed, not only because the report itself has for long been all but unobtainable, but also because the new long introduction sets out clearly many of the conclusions of the very mixed band of specialists who have approached problems of public health from so many different angles. The history of public health, indeed, has attracted almost as rich a collection of students as the cause of public health did when drains and sewers were news and "clean" and "dirty" parties were ranged against each other both locally and nationally. A good bibliography would have added to the value of this edition, but even without it the footnotes guide the reader to a surprisingly varied collection of sources. Mr Flinn also points out where recent scholarship has been inadequate. The history of income distribution, for example, is vague. Little has been written about house rents or, for that matter, housing as a whole. Typhus, "the poor man's disease," has received less attention than cholera, which struck down princes and prime ministers. The history of statistical enquiries and methods is far from complete. The pattern of local action in the years preceding 1842 has not been fully explored, although there is already sufficient evidence to undermine Chadwick's own opinion that sanitary measures in the 1840s had "strictly and exclusively an official origin."

In general Chadwick comes out well from Mr Flinn's analysis. This was his great report, and his was the crucial contribution to reform. He did not take an active interest in public health until 1838—this may partly account for his neglect of what had happened before—but once he had passed from poor law questions narrowly defined to broad questions of public health, his great drive and determination quickened and enlivened the pace of development. Chadwick began with the very simple view that action to promote public health was necessary to avoid the waste of public funds on the care of the poor. If "nuisances" could be removed, the community would obviously benefit. By 1842, however, he had a far more comprehensive approach. Neglect of public health was a threat to habits and to morals as well as to people's pockets. Moreover it aggravated rather than diminished Malthusian population pressure. "In the districts where the mortality is greatest," Chadwick argued in the report, "the births are not only sufficient to replace the numbers removed by death, but to add to the population." This was a striking and socially far-reaching conclusion.

The report exposed facts rather than suggested specific remedies. It was designed to influence opinion through the communication system of the day, a very different system from that associated with twentieth-century techniques of mass communication. The reception of the 1842 report may usefully be compared in this context with the reception of Robbins on higher education. Free circulation to every board of guardians, and to every person whom Chadwick thought might be interested in public health, guaranteed that its guiding ideas would quickly spread. Harriet Martineau, Joseph Paxton and Charles Dickens were among those who received copies. John Stuart Mill read the work in proof "slowly and carefully," regretting that Chadwick had not made greater use of "some of the forms of scientific exposition of which my friend Comte makes such superfluous use." Yet there was no legislation until 1848, and in an age of pressure politics there were many writers in the press who complained of the powerlessness of the Health of Towns Association as compared with the Anti-Corn Law League. They also suggested that a more articulate opposition would have overcome *vis inertiae*. "Would that there was a 'fever party' in Palace Yard or 'Protection to British Diseases' in New Bond Street."

While the perspectives of public health history have changed considerably during the last twenty years, it is likely that they will change still more. The fact that British urban death rates did not fall in the 1840s, the decade of greatest public clamour, will surely lead to a fuller investigation of the 1870s, when they did begin to fall. In more practical and less historical terms, as the sociology of development begins to be studied more closely, the relationship in new societies between expenditure on public health and on personal health services is beginning already to be scrutinised more thoroughly. We shall need our twentieth-century Chadwicks, scattered around the world, motivated doubtless by different ideologies, but as interested as he was both in health and in administration.

Russian Orthodoxy

Opium of the People: *The Christian Religion in the USSR*

By Michael Bourdeaux.

Faber. 244 pages, illustrated. 30s.

Mr Bourdeaux was a student for a time at Moscow university and fills his book with delightful conversations. His gentle understanding of history sets the Orthodox tradition in a long but humane perspective. He had the enterprise to visit, and to report intelligently upon, religion in the lesser known areas, the church of Georgia and the Lutherans of Estonia. The most interesting description of the whole book is his attendance at the atheistic lecture of Osipov, the former professor of Old Testament at the Leningrad Theological Academy, who recanted his faith amid much éclat and propaganda and caused the biggest sensation in Russian religion of recent years.

He likes the Russians, but greatly dislikes their government and believes the worst about it. When he pushes his way uninvited into a monastery he seems surprised that a monk will hardly speak to him and attributes silence to fear; and evidently he has never made comparisons by pushing unbidden into an English monastery. He reports with a question-mark but not with scepticism the story that Metropolitan

BP VISITS BRAEMAR Under the Braes of Mar. Where 250 years ago the Earl of Mar raised the hopeful Jacobite standard. Now the clans gather in peace to salute their Royal chief. The hammer will fly, the caber fall. And the pride of Scotland will dance as their forefathers did in nimble-footed triumph over the swords of their vanquished foes.

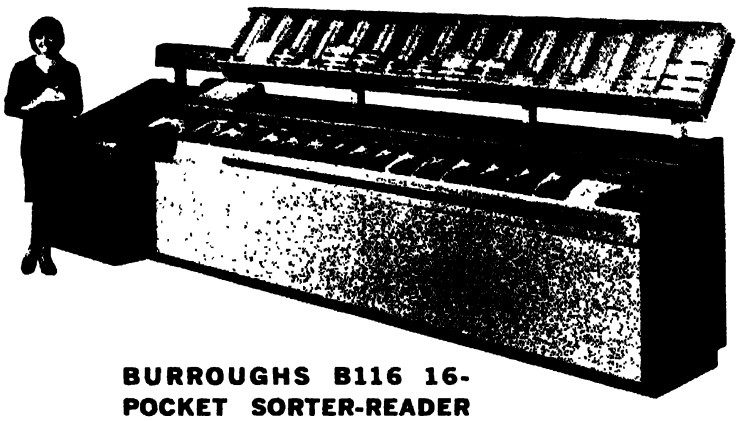
BP FESTIVALS SERIES—No. 23

The Braemar Royal Gathering: Thursday, 9th September – 9.30 a.m. Climax 3-4.30 p.m. Kilt optional for spectators. Enquiries and bookings to: The Secretary, Braemar Royal Highland Society, Braemar, Aberdeenshire. (Braemar 274). Braemar is 484 miles from London, 111 from Edinburgh, 58 from Aberdeen, and very beautiful indeed. Artistic teamwork by Abis, Sida and Stribley – all young, enthusiastic, ex-RCA.

BP FOR THE CAR IN YOUR LIFE AND LIFE IN YOUR CAR

Burroughs equipment sets that's why leading businesses

BURROUGHS DISK FILE is five times faster than any other random access storage. Any account can be accessed in 1/50th of a second. Storage capacity can be built up, as required, in economical modules.



BURROUGHS B116 16-POCKET SORTER-READER is the fastest, most efficient on the market. It processes 1,560 MICR encoded documents per minute with minimum average passes per item factor.

At the rate of two per day, leading businesses like Lloyds Bank are installing Burroughs Electronic Data Processing Systems. Why? One big reason is Burroughs "super peripherals" with the highest performance standards in the industry.

Consider the Burroughs 16-pocket Sorter-Reader that processes MICR encoded documents at the rate of 1,560 items per minute. It is helping to revolutionize banking methods worldwide.

The Burroughs On-Line Disk File is a random access device that offers high storage capacity, high performance and reliability unprecedented in memory systems. It stores up to 480 million alphanumeric characters. The Burroughs Disk File is five times faster than any other random access storage. Any account can be accessed in 1/50th of a second.

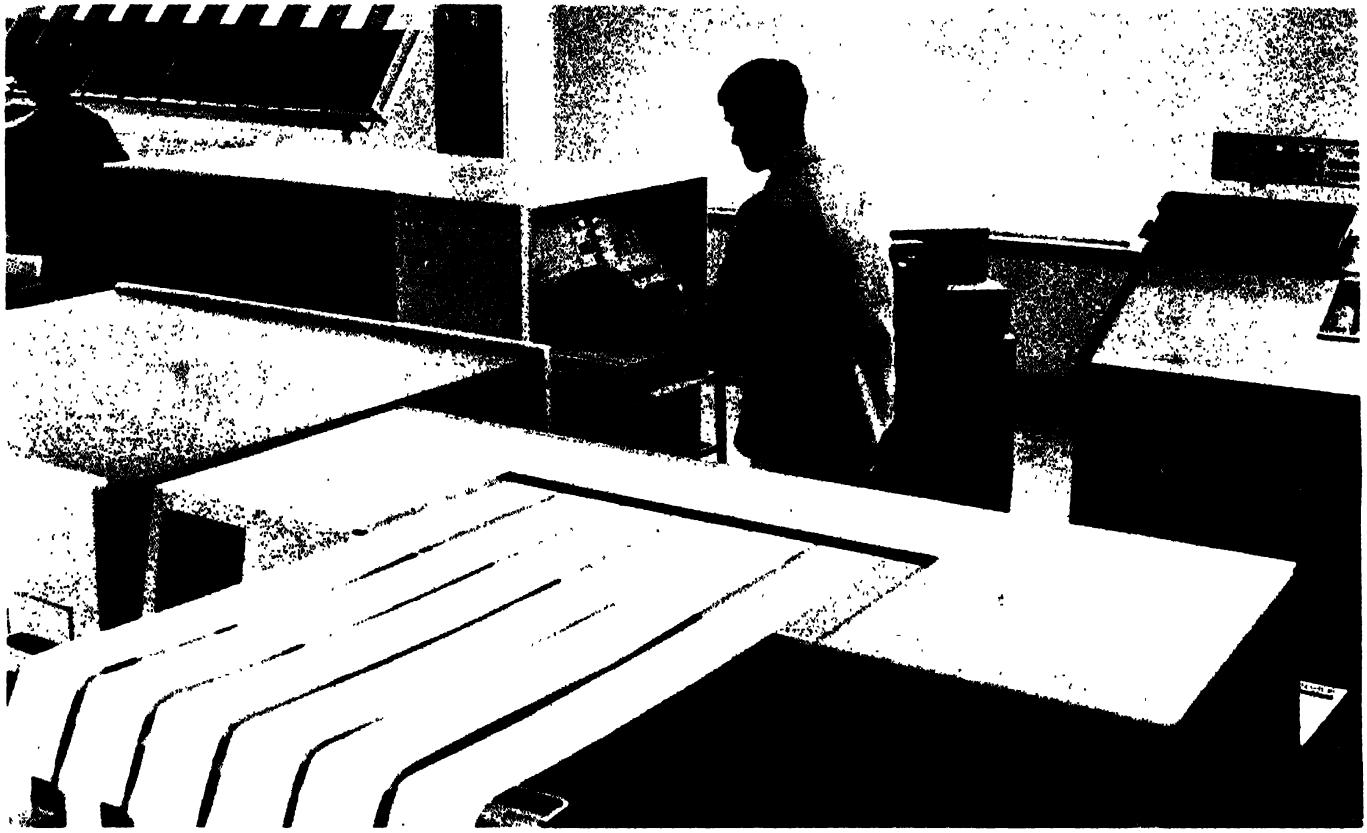
Centralized records stored in the Disk File can be tied in with remote locations to provide instant updating of accounting records and instant response to interrogations.

There is much more to the Burroughs story . . . the recently released B300 EDP System . . . simplified programming, multiprocessing, 3-in-1 processor commands, buffering of units . . . to name a few.

For details, let your Burroughs Man demonstrate Burroughs superiority. Discover how the Burroughs EDP equipment that is setting new standards of excellence can help *you* solve your data processing problems.

WHEREVER THERE'S BUSINESS

new standards of excellence– are choosing Burroughs



LLOYDS BANK, LONDON installation of two Burroughs B 270 EDP systems consisting of Central Processor, MICR Sorter-Reader, high speed Multi-Tape Lister and Card Reader. Lloyds reports, "These two Burroughs systems now process some 80% of our Branches' Cheque Clearings and are paving the way for complete automatic data processing of customer accounting. The processes include maximum use of MICR techniques for capturing data during document sorting and control. The installation of these systems was effected within several days of delivery and is making a substantial contribution to our data processing developments."

TUTT BRYANT, LTD. (Construction Equipment), Sydney, Australia, reports, "Using the Burroughs B 280 EDP System we maintain accurate EDP control of inventory and update 80,000 parts records per week."

KANSAI ELECTRIC POWER COMPANY INCORPORATED, Japan, reports, "The tremendous capacity of the Burroughs B 283 Computer enables us to handle utility billing at the rate of four million transactions per month."

CALL YOUR BURROUGHS MAN for information on Burroughs EDP Systems and the world's most complete line of business machines including computers, accounting machines, check protectors, calculators, cash registers and adding machines. Burroughs Corporation, International Division, Detroit 32, Michigan, U.S.A. Cable BURAD.

THERE'S Burroughs

1/3,000th part of a giant

This man is a Polysar scientist. In his field he's something of a titan. Looks ordinary enough to us. During the week he ponders such miracles as *trans*—$\sim CH_2C(CH_3)CHCH_2\sim$. Other times he's much like the rest of us. Is an ardent football fan and can't resist showing photos of the kids. Very comforting to we lesser mortals. He's one of 3,000 staff who remind us that the word 'people' is a first class synonym for Polysar.

POLYSAR INTERNATIONAL, SA., FRIBOURG, SWITZERLAND.

Manufacturing facilities: Sarnia, Canada; Strasbourg, France; Antwerp, Belgium. Technical service offices in: Sarnia, Canada; London, England; Vienna, Austria; Tokyo, Japan; Akron, U.S.A.

POLYSAR, KRYNOL, KRYMIX, KRYNAC, KRYFLEX, KRYLENE, TAKTENE, SS 250, TRANS-PIP are registered trade marks of Polymer Corporation Limited, Sarnia, Canada.

POLYSAR

SYNTHETIC RUBBERS · RESINS · CHEMICALS

Nikolai, who until his fall in the autumn of 1960 directed the foreign relations of the Russian church with sanctified charm, was murdered. He was displeased that Nikolai gave him so short and formal an interview. But if he proposes to interview the Archbishop of Canterbury and then write the conversation in a book, we may hope that the archbishop will allot him a space of time that will be very short and very formal. Some of the reports of conversations here could harm harmless Russians. Even if the names are changed (and there is no suggestion that they are) several of the most damaging remarks come from persons who must be easily identifiable from the circumstances. The atmosphere of the book sets in opposition not only Marxism and Christianity, but also churchmen and the government; and Russian Orthodox churchmen are devoted to the Russian state. The attitude of the book might help to confirm the alarums of less intelligent members of the Politburo about the Orthodox. Yet anything that genuinely reports Russian feelings and conversations on this subject is worth reading. And Mr Bourdeaux is a very good reporter.

No Short Cut to Growth

Manpower and Education: *Country Studies in Economic Development*

Edited by Frederick Harbison and Charles Myers.

McGraw-Hill. 356 pages. 72s.

The broad subject of this book is the relationship of education and training—or "human resource development" as they are rather pretentiously called among the initiated in the United States—to economic development and growth. It supplements the same authors' "Education, Manpower, and Economic Growth: Strategies of Human Resource Development," which was published in 1964. The present volume contains eleven studies of educational and manpower issues in a wide range of developing countries: Guinea, Ivory Coast and Senegal; Malawi; Uganda; Communist China; Iran; Indonesia; Argentina; Chile; Peru; and Puerto Rico. The ten contributors who write on individual countries are all from across the Atlantic and mostly, like the editors, faculty members at American universities; the eleventh is Guy Hunter of the Institute of Race Relations, London, who contrasts issues of manpower policy in East Africa and South-East Asia.

The very different stages of economic and social development reached by the countries studied, coupled with the varied interests and approach of the authors, make international comparison difficult, and restrict the number of universally valid conclusions that can be drawn. Thus, the main findings listed by Professors Harbison and Myers in their brief introduction seem for the most part rather commonplace. An exception is the point, well brought out in a number of essays, that technical training in formal educational institutions can easily involve the waste of considerable resources unless it is planned in conjunction with particular employers. Perhaps, too, the note of caution to the effect that educational expenditure does not automatically constitute a profitable social investment is timely: some people have so misunderstood recent work on the economics of education that they believe that any education, regardless of its quality and relevance, has some magical, stimulating effect on the growth of national income. In this connection, however, one cannot agree with the claim on the book's dustcover that the studies "contain information on the effect of manpower and education on economic growth."

For specialists in the particular countries covered, there is an abundance of information on educational and employment structures, both past and projected. One of the most interesting of the studies is George Baldwin's on Iran's experience with manpower planning; he identifies some of the key (and still largely unsolved) problems in gearing educational development to the manpower and employment requirements of a development plan.

A major criticism of the book is the time it has taken to appear. Some of the detailed information is going to be of more use to historians than those concerned with current events. Far too many of the statistical tables stop at 1960 or 1961. And it is quite unpardonable for a chapter of a book appearing in 1965 to start off

> Nyasaland stands at the threshold of independence and the full effectuation of African rule. According to present reports, December 31, 1963 has been set as the target date for the dissolution of the Federation of Rhodesia and Nyasaland . . .

Political Anthropology

Politics, Law and Ritual in Tribal Society

By Max Gluckman.

Blackwell. 371 pages. 47s. 6d. clothbound, 25s. paperbound.

Postwar British anthropology struck out in a distinctive direction. French anthropologists of that generation were engrossed in the complexities of primitive metaphysical and mythological systems. In America, psycho-analysis and statistical method were setting the fashions for anthropological research. In Britain, encouraged and financed by the Colonial Social Science Research Council, the political and economic institutions of the tribal societies of the Commonwealth became the dominant interest. An impressive series of monographic studies, now running well into double figures, emerged from the field research that developed. Africa, with its great variety of tribal political systems ranging from the barely organised Bushman band to the bureaucratic states of East Africa and the quasi-feudal kingdoms of West Africa, was its main arena. A new branch of comparative social anthropology, which can aptly be designated "political anthropology," thus took shape.

Field work and theory have progressed hand in hand in political anthropology. So rapid has been its growth and so specialised has it become that only those who are directly engaged in it can now keep abreast of the literature. Outside anthropological circles its achievements are hardly known. One excuse has been that there is no comprehensive book surveying what has been accomplished by way of field research in this branch of anthropology and what hypotheses and generalisations have come out of it so far. Professor Gluckman's book marks a big step towards removing this excuse. Being himself one of the main architects of political anthropology, a better guide to its subject matter would be hard to find.

To place his discussion in historical perspective, Professor Gluckman opens with an account of the methods and theories of modern social anthropology as they have developed since the launching of the functionalist movement in the nineteen-twenties. He turns then to the economic institutions and property relations that are characteristic of tribal societies. This enables him to show how status relations and social obligations regulate rights over things and patterns of production and consumption, in the absence of occupational differentiation. The simpler forms of political organisation built up on subsistence economies are next

WHO OWNS WHOM

(U.K. Edition) 1965

8th Edition:

Over 53,000 entries

U.K. parents showing subsidiaries and associates throughout the world

U.K. associates and subsidiaries showing parents throughout the world

U.S. parents showing U.K. subsidiaries

". . . the invaluable book of parent, associate and subsidiary companies."

The Economist

". . . a fascinating directory of U.K. parent and subsidiary companies."

The Guardian

"Each year Who Owns Whom grows bigger and better. . . . This is an invaluable work of reference. . . ."

Investors Chronicle

£8 post free

through booksellers or from the publishers: Also available: Quarterly Supplements for June, Sept., Dec. 1965 and Mar. 1966 £1 the set of four post free.

Publishers:

O. W. ROSKILL & CO. (REPORTS) LTD.

14 Great College Street, London, S.W.1.

The great Oriental hotel in Hong Kong is a member of INTERCONTINENTAL

Where else will you be served as an Oriental potentate and still pay as little as $11 for a room with a balcony?

Our Sikh welcomes you to the most fabulous hotel in Hong Kong's history ... Oriental garden and swimming pool, air-conditioning, cruises of the harbour on a private junk, and the perfect location on Hong Kong Island, overlooking the harbour.

THE MANDARIN, T.A.P. Ross, General Manager. Member of the 29 incomparable Intercontinental Hotels. Call your Travel Agent, Representatives: Robert F. Warner, Inc., Glen W. Fawcett (in the West) or Intercontinental.

THE Mandarin
MEMBER OF INTERCONTINENTAL HOTELS

considered, and it is shown how, despite their lack of governmental institutions, order is maintained and the network of social relations is held firmly together by such institutions as self-help and formalised joking relationships. The examination of state structure in large-scale tribal societies that follows introduces a subject on which Professor Gluckman is the recognised authority. He has argued elsewhere, and here demonstrates more persuasively and with reference to a wide range of primitive states, that rebellion is a common and accepted means of maintaining an existing political structure, rather than a means of overturning it.

A discussion of the nature of legal and quasi-legal institutions in these political systems carries the analysis forward to the concluding section, which deals with the ritual aspects of social relations and of government. This bare outline does no justice, of course, to the refreshing vigour and lucidity of Professor Gluckman's exposition or to the wealth of anthropological and historical material cunningly woven into it. Though Africa provides his best examples, societies from every part of the world are drawn upon.

In Perspective

A Short History of Greece from Early Times to 1964

By W. A. Heurtley *et al.*

Cambridge University Press. 210 pages. 22s. 6d.

This extraordinary book compresses into 183 pages of text the history of mainland Greece from the earliest times to the end of 1964. What is more, it does so from the unfamiliar perspective of the present day: the later the age, the more detail is given. The same number of pages is given to the period from 1943 onwards as is given to the whole age from prehistoric times to the Roman conquest. Frankish and Venetian Greece get about as much space as the Byzantine empire; both together get the same amount as the history of independent Greece up to the war. The effect, needless to say, is that the book gets better as it goes on.

The first three parts are a shortened version of the handbook on Greece in the excellent Admiralty series. One by-product of this fact is that they are illustrated throughout by first-rate political maps. Of Mr Heurtley's 34 pages on the ancient world, one can only say that if one has to write on a pinhead, one could hardly do it better. Professor Darby treats the Byzantine empire negatively: there is very little about it, but a lot of interesting stuff about the invading barbarians and a first-class summary of the states of Frankish and Venetian Greece. Throughout, there is little space for anything but a strip cartoon of expanding and contracting frontiers, fully illustrated, with some military detail.

Mr Crawley takes one through a good deal of rather depressing detail from 1821 to 1939 with great clarity; the decade of wars from 1912 onwards come out admirably, helped by map after map as the frontiers changed. But the best thing in the book is Mr Woodhouse's admirable chapter on the period from 1939 to the present day. Given his style, his objectivity and his generosity of spirit, this tragic story gains by being compressed into 45 pages. The mixture of nobility and savagery, the recurrent lapses into chaos followed by incredible recovery, the immense energy displayed and the constant lost opportunities (lost not least by this country) carry one back to Mr Heurtley's pinhead. Greece remains Greece.

Anyone would gain by reading this short book; but most of all, perhaps, those who have attacked Greek history through the other end of the telescope.

The Wobblies

Rebel Voices: *An IWW Anthology*

Edited by Joyce L. Kornbluh.

University of Michigan Press. London: *Cresset Press.* 431 pages, including illustrations. 84s.

In these days, when the voice of the American left is being heard again, it is good to be reminded of the Wobblies—the Industrial Workers of the World—who in the decade before the first world war were the terror of respectable people. This handsome anthology of their songs, verse, prose and cartoons would have astonished the men and women who in 1905 declared war on capitalism and the "separation of labour"; "one big union" was their slogan. Unlike the American Federation of Labour they went down into the gutter to reach the unskilled of all nationalities and languages in an America where the melting-pot had yet to come to the boil. The Wobblies were forerunners of the industrial unions set up in the nineteen-thirties. But in their heyday there was no Franklin Roosevelt or welfare state. Class war was indeed a war. The IWW survives in an attenuated, ghostly form, but its vigour, colour and idealism are best preserved in these pages. The original documents are in the Labadie Collection of Labour Materials in the University of Michigan Library.

Spiritual Patron

Charles Péguy: *A Study in Integrity*

By Marjorie Villiers.

Collins. 412 pages, illustrated. 42s.

Péguy was that pecular animal: a French Catholic moralist and man of letters with the character and conscience of an English nonconformist. Idealistic, ferociously individualistic and independent, extraordinarily naive, he was tortured by doubt but not by self-doubt. He was saved from the respectable poverty of his widowed mother by state scholarships and went on to the *Ecole Normale Supérieure*, the prestigious forcing-house for training university teachers and nurturing left-wing politicians. As a young man he lapsed from the faith and con-

structed an earthly socialist utopia; his next crusade was the Dreyfus Affair, which he regarded as an occasion for the moral regeneration of his country. As he became increasingly attracted back to the Church, he became more disillusioned with his socialist (and anti-religious) friends. An unorthodox Catholic, as he had been an undisciplined socialist, he remained anti-clerical and anti-authoritarian.

His *Cahiers de la Quinzaine*, in which he chronicled his intellectual odyssey, often in extended philosophical verse, brought him some disciples and a few friends: for although he had undoubted personal magnetism he was easier to venerate dead than get on with alive, and he could be a dangerously eloquent polemicist. Péguy's style is rambling and rhetorical, and his arguments are analogical, imprecise and often inconsistent. Formed in the abstract and generalising tradition of the French university, he expressed his personal crises of conscience in terms of universal moral principles and dilemmas. Perhaps this explains how, twenty-five years after his death in the First Battle of the Marne, he could be claimed as spiritual patron both by the Pétainist National Revolution and the Gaullist Resistance.

Mrs Villiers's sympathetic account of this strange and interesting man is thorough and very well written, though fifty years after his death she is sometimes unnecessarily discreet. The background from which he emerged, the educational influences on him, his spiritual travail and his continual struggle for financial solvency are all admirably handled. Since Péguy's development had more to do with these factors than with the external pressures of French politics, a coherent picture of the man and his ideas emerges from these pages.

But Péguy's changing attitudes, his conversion, and the phenomenon of his continuing influence demand explanation in historical as well as personal terms. His was only one of a series of much publicised conversions—or reconversions—to Catholicism before and after the first world war in France. His unorthodox faith is more fashionable now than it was then, but his fierce patriotism struck an immediate chord in pre-1914 France. On these questions Mrs Villiers is notably less convincing: she is a good biographer but a bad historian. This is a "life" without a "times." Too often she sees the first forty years of the Third Republic with Péguy's astigmatic vision (although she enters caveats after some of his more outrageously partisan judgments). Events are misleadingly described, for Péguy's inner light was too intense: it blinds as well as illuminates. The reader may therefore get the impression that Péguy was reacting to events more than he really was; rather, he applied a set of exclusive, idiosyncratic—and not always very consistent—principles to a recalcitrant matter.

There is very little on this original, impractical, generous, intolerant, impossible and admirable man in English. In spite of too many minor mistakes, Mrs Villiers has done a difficult job well, although one suspects that her subject was sometimes rather less attractive than she allows. Still, it is difficult not to think sympathetically of Péguy, reigning over his *Boutique des Cahiers*—with its disorderly collection of lost causes, ragged idealists and unsold books—talking with visiting provincial school masters, reading the *Temps* backwards from the bottom of the last column of the last page, all good *normaliens* together.

OTHER BOOKS

QUANTITATIVE PLANNING OF ECONOMIC POLICY: A Conference of the Social Science Research Council Committee on Economic Stability. Edited by Bert G. Hickman. *Brookings Institution*, Washington. 292 pages. $7.95 (English publisher, date and price not yet known).

Half of the conference papers that constitute this volume examine the advanced techniques which some economists would like to apply to planning if they had the necessary statistics and if governments would let them. The other papers descend from the clouds to examine planning experience in Holland, France and Japan. Having been written over two years ago, they are not up to date, but nevertheless retain considerable interest. It is clear that the achievements of quantitative economic planning in these countries has so far been comparatively modest.

CAPITAL AND GROWTH. By John Hicks. *Oxford University Press*. 355 pages. 35s.

Sir John's lucid prose should not delude the layman into thinking that this is a book for him. This is economics of the most esoteric sort, written by a master specialist for his fellow specialists and dealing with pure growth theory.

INTERNATIONAL LAW, Vols. I and II. By D. P. O'Connell. *Stevens*. 1572 pages in all. 10 gns. together.

These two massive volumes cover most of the traditional subjects—municipal law and international law, personality, recognition, treaties, sovereignty, succession, responsibility, territory and jurisdiction. In addition, Professor O'Connell includes, in greater depth than is common for a textbook, a section on the formation of international law, as well as a most useful chapter on international litigation. This is now surely the most up-to-date and comprehensive standard work in English.

CUMULATIVE BIBLIOGRAPHY OF ECONOMICS BOOKS: Annual Edition, Volume One, 1954-1962. Edited by the Department of Economics, University of Pittsburgh. *Gordon and Breach*, New York. 352 pages. $30.00.

WILLING'S PRESS GUIDE, 1965. *James Willing*. 668 pages. 50s.

GREAT BRITAIN AND THE COMMONWEALTH. 3rd edition, revised and enlarged.) By James A. Williamson. *Adam and Charles Black*. 242 pages. 21s.

FBI REGISTER OF BRITISH MANUFACTURERS, 1965. 37th edition.) *Thomas Skinner* for the Federation of British Industries. 1282 pages. £3.

YEAR BOOK AND GUIDE TO EAST AFRICA, 1965. Edited by A. Gordon-Brown. *Robert Hale* for Union-Castle Line. 352 pages, illustrated. 12s. 6d.

YEARBOOK OF FISHERY STATISTICS, Volume 17: Fishery Commodities, 1963. *FAO*, Rome. London: *Her Majesty's Stationery Office* for the Ministry of Overseas Development. 32s. 6d.

VENEZUELA. (2nd edition.) By Edwin Lieuwen. *Oxford University Press* for Chatham House. 222 pages. 25s.

BUSINESS FINANCE. By F. W. Paish. *Pitman*. 175 pages. 16s.

The great Pakistani hotel in Karachi is an INTERCONTINENTAL

Where else can you have the spirit of Pakistan, the pleasures of a courtyard pool and still pay as little as $11 for a room with a view?

Just 3 miles from the Arabian sea, and decorated in the greens and golds of Pakistan, our brand-new air-conditioned Karachi Intercontinental rises next to the President's residence. Cocktail lounge with a view of the city, cabaña club, continental and Pakistani cuisine in three restaurants.

KARACHI INTERCONTINENTAL, Jean-Pierre Stauffer, General Manager. One of the 29 incomparable Intercontinental Hotels. Call your Travel Agent or Intercontinental.

Karachi
INTERCONTINENTAL

BUSINESS BRIEF

America's bounce into payments surplus in April-June for the first time in 8 years is, wisely, being played down by official Washington. But businessmen and New York bankers—chafing under "voluntary" restraints on overseas spending—are boning up on the thesis that Washington is stripping the world of liquidity.

Falling production and a further easing in the labour market underlined yet another gloomy prognostication on Britain's economic outlook.

The reaction on the weak London bourse to all this and news of short-time at Ford and Hoover was a sharp mark-down of prices.

OUTLOOK FOR THE GOLD PRICE

This has been switch-back year on the world's gold markets. Until last week, expectations of a major rise in the gold price were running stronger than at any time since the great gold bubble of 1960. General de Gaulle's open pressure for an increase in the role of gold in world payments at the expense of the United States dollar convinced many private investors and hoarders (and not a few central banks) that the Americans will eventually have to give way. Many have believed that the break would be forced in the wake of a sterling devaluation. So hedging out of sterling has to a greater than usual degree been hedging into gold. On top of this the war in Vietnam, like all wars throughout history, has given a further pull to the world's traditional source of monetary wealth. Soho big shots have joined in the traditional free-lance bullion carrying operations of airline stewards.

Yet the forces in this golden battle have not been pulling all one way. The big influence against the speculators has been the massive improvement in America's payments balance—to an actual surplus in April-June. The forward prospect of that improvement had already, back in March, been sufficient to take the wind out of the New Year gold flurry. But continuing sterling troubles and the glaring international disagreement on the form of possible gold substitutes ("international liquidity") brought a second major wave of gold buying in mid-summer. This pushed the price on the London market last week back to its earlier peaks of $35.20 a fine ounce. **Since then the price has plunged to $35.12, a remarkably rapid fall. Gold shares have gloomily followed.** And yet these movements have been the result not of any monetary event, nor even of anything that has happened in the capitalist world at all.

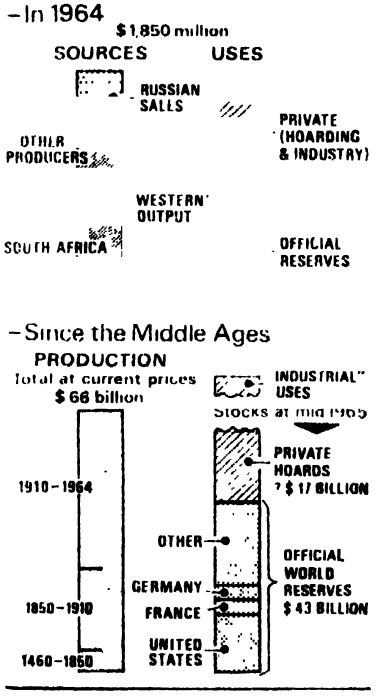
Just as July's gold bubble was heightened by decisions in Peking to convert sterling balances into gold, so the bubble has been pricked this week by yet another inadequate performance of Russia's collective farms. Russia in recent years has provided through its sales of gold in western markets more than half of the yearly additions to the gold stocks of western central banks. But since it completed its last major gold sales in spring 1964, to finance the 1963 harvest failure, Russian gold has been absent from western markets. Now the prospect of new Russian sales, possibly of $400-500 million, has transformed the immediate market situation: to the embarrassment of private speculators and the relief of the American Treasury, which has borne the brunt of the attempt to hold the golden line.

Will this eleventh hour relief from the East once again, as in 1963, take the sting out of the urgency of world payments reform at next month's meeting of the International Monetary Fund in Washington? It is possible; far from certain.

Where the Central Banks Stand

The most striking aspect of gold buying in the first half of this year has been the extent to which it has been led by the central banks themselves. Since the gold scare of 1960, central banks of the main industrial countries have admittedly agreed to keep out of the London market as buyers, and to form a co-operative "gold pool." This is a syndicate that sells gold on the London market to stop the price rising above about $35.20; and steps in to buy any surplus gold, especially but not only when the price drops below about $35.08. This gold pool, managed by the Bank of England, is comparable to national support operations in foreign exchange. It is the commitment of the United States to buy and sell gold to other monetary authorities at $35 an ounce that provides the one, and only, link between *all* currencies and gold. Specifically: the reason why the Bank of England is willing to sell unlimited amounts of sterling for dollars is that it knows it can ultimately convert the dollars in New York and replenish its gold stock at $35 an ounce. If the London price were allowed to rise significantly above that, as it did

WHO MINES IT, USES IT, KEEPS IT,



momentarily in 1960, this would be tantamount to an equivalent discount on the dollar, and would effectively break not only the dollar/gold link but the existing link between gold and every other currency as well.

This was the rationale behind the gold pool. Formally, the European members put gold into the pool and received dollars in return. But since in practice all the big European countries, including Britain, convert the bulk of their dollar holdings—including the dollars acquired through gold pool operations—back into gold in New York, **the real burden of gold support is borne by the United States. And the first half of this year has seen a marked reinforcement of traditional gold preference.**

Not only France, but Germany in particular and most other European countries as well, have raised their gold ratios quite substantially—aided, paradoxically, by the operations of the IMF itself. In addition, a number of smaller central banks outside the "Basle Group" have themselves been substantial buyers on the London market. These gold purchases, together with private demand, increased the gold drain out of America in the first half of the year to $1.16 billion, actually well above the amount of America's recorded payments deficit.

Paradoxes and Prospects

This paradoxical combination of an increase in America's gold loss at a time when its actual payments balance is swinging towards surplus has brought a number of unofficial American voices to favour what until recently was a very far out proposal indeed: that America should stand pat on the attraction of the dollar in its own right and **discontinue not its commitment to sell gold for $35 but its commitment to buy.** The theory is that any such partial demonetisation of gold would immediately show where the real power over the gold price lies, and cause a collapse of the gold speculators at one blow. On the other hand it might not—especially if the American move were made in isolation from other countries, or the IMF.

What then are the prospects for the gold price over the next two years or so and with it the outlook for gold mining shares? Taking a deep breath, here are our guesses:

(1) The immediate relief brought by anticipation of Russia's need to finance its grain imports may continue for a few weeks or months; and, crucially, it may be sufficient to **avoid what may otherwise have been a troublesome bout of speculation** ahead of the IMF meeting.

(2) But, on present prospects, the additional gold from this source will still only partially make good the drain of gold into private hands and into central banks that are unloading dollar and sterling balances. Indeed in so far as the Russian sales do encourage complacency at the Washington meeting, they could **actually strengthen the underlying source of recent gold speculation.**

(3) Unless America's payments balance improves still more sharply than now seems likely, ideas of the "gold demonetisation school" are likely to remain academic, and dubious even as a bargaining counter. The more likely American way out of a payments jam is still an **embargo on selling gold** rather than an embargo on buying it.

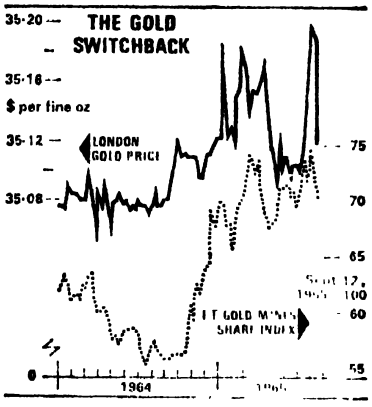
(4) Pressure on America to stop selling gold to foreign central banks at $35 an ounce is unlikely to become overwhelming while the American balance of payments is improving. But so long as fundamental disagreement on liquidity remains, erosion of the American gold stock is likely to **continue and could be intensified.**

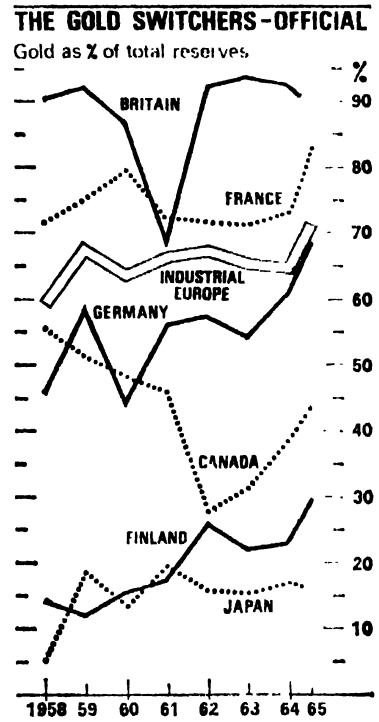
(5) Another six months of **gold switching by central banks,** on the pattern of the first half of 1965, would put present American gold policy seriously in question.

(6) The immediate danger, as the American authorities evidently recognise, would be a **sterling devaluation.** Almost certainly the London authorities would be forced to push the sterling rate down to a level at which it was decisively attractive, thereby pulling funds out of New York. If an American gold embargo followed, the gold price would rise off its official peg.

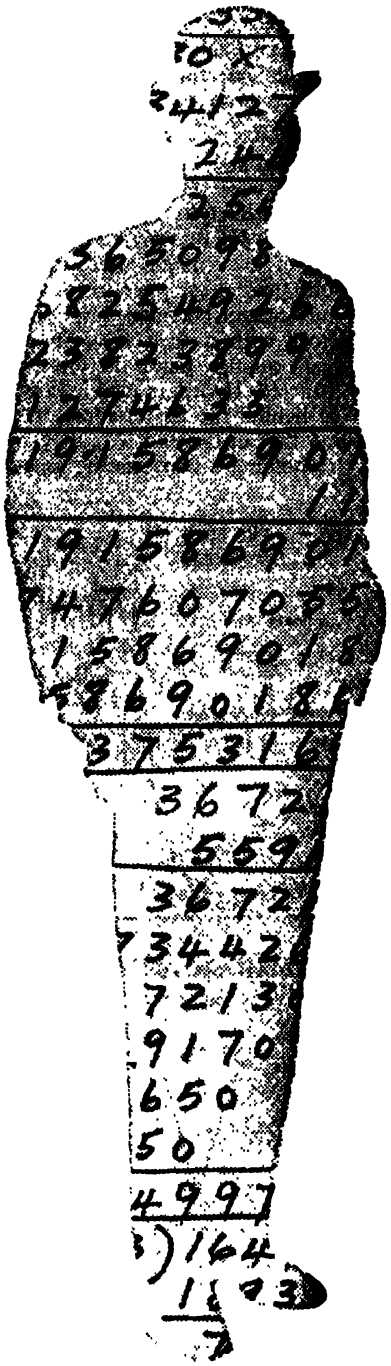
(7) Even then it would not be *certain* that a higher official gold price would result. If America and Britain got together and offered to transfer dollar and sterling balances into the IMF at their old gold value, advocates of a build-up of the IMF would acquire a leverage that they have hitherto lacked. And the IMF could then take over the $35 gold commitment itself. All very uncertain; **the significant point is that even a double sterling-dollar devaluation would not be bound to result in a higher gold price.** But, even on the most favourable assumption, a notably higher price than the present $35 would be likely in world free markets at least for a while, pending agreement on a grand international reform.

(8) **Sterling devaluation now seems very unlikely indeed in 1965: though by no means impossible in 1966 or 1967.** So the prospect of some major increase in the gold price next year or the year after cannot be ruled out. Speculators with a firm trust in their own timing may therefore be attracted. Hoarders who invariably lag behind the professionals could find that in the end it is they who are holding a depreciating asset.





"Industrial Europe" excludes Britain, percentages are of gold and foreign exchange reserves excluding IMF positions. 1958-64: end-year figures. 1965; June, except Britain and Japan March.



ARE YOU A SUM OR A SOMEBODY?

You're both when you're a customer of Commercial Union. A risk in an actuarial sum for whatever insurance you take out. But also a human being. For reliable and friendly insurance service—consult Commercial Union one of the biggest insurance groups in Britain.

COMMERCIAL UNION ASSURANCE GROUP

Head Office: 24 Cornhill, London, E.C.3. and over 250 branches throughout the country—please consult your local telephone directory

BUSINESS

Harvest of Gold

For the second time in barely three years the Russians have re-emerged as major buyers in western wheat markets—to the enormous relief of virtually everyone but themselves. First: Russian purchases will ease the pressure on stocks of another bumper "western" harvest this season, underpinning grain prices and buoying up freight rates. Second: the bulk of the wheat will almost certainly have to be paid for in the hardest cash of all, gold. For the first time since spring 1964, Russian gold can be expected to pour into the London market—and give a badly needed boost to western liquidity.

Soviet harvest, '65

UNTIL the prospect of large sales to Russia suddenly opened up again, western grain producers were taking a very gloomy view of the prospect of another run of bumper harvests this season. Harvests have only begun to be reaped in the northern hemisphere. Argentina and Australia will not begin to gather in their grain until well into the northern winter months. Even so there is every indication that harvests throughout the West in 1965-66 will outstrip even last year's record. Reasonable weather has ensured a rebound in Canadian harvests this season, and the Americans expect to push up their output of grain to a whopping new high. Fatter yields and increased acreage promise bumper crops in much of Europe as well. Britain, for the second year running, expects record harvests of barley and wheat to outstrip the target "standard quantities"; even in Spain the harvest should rise gently, vastly increased acreage outweighing losses from drought. Erratic weather has, however, lowered the quality of British and continental crops, in some instances alarmingly. Moreover, the big gains in quantity, awkwardly, are coming once again from larger harvests of wheat. Production of coarse grains—for which demand is growing far more rapidly to feed increasing appetites for meat and dairy produce—is expected to be little changed from last season's modest level, although the maize crop in America could rebound sharply.

The result of a strikingly similar pattern of grain output in the non-communist countries in 1964-65 was sluggish trade, "soft" selling, increased stocks, and finally, in January this year, a sharp break in wheat prices on the heels of a cautious Canadian concession to the hard-bargaining Chinese. Now the outlook has been revolutionised overnight by the re-entry of the Russians as major buyers. A much improved harvest last year all but dried up Russian buying from western granaries. Shipments during the year ended in July tumbled to just 2½ million metric tons, including deliveries to Cuba on Russia's behalf. This season the total tonnage due to be shipped from ports in Canada, Argentina, Australia and France to Russia already totals 9 million tons—very nearly as much as during the frantic 1963-64 season. Some of these shipments will fulfil commitments entered last season; the bulk, over 7 million, comes from deals concluded during the past three weeks.

The size of the recent Russian orders was a surprise. Russia's crop of winter wheat was reported late last month to have suffered very little from frost and to have had adequate spring rains. Sowing of the more important spring crop was ahead of target—and nearly 5 million acres over last season's figure. Reports reaching London through the first week of August, moreover, indicated that actual harvesting was keeping up reasonably well with the pace set last year, at least in large areas of the country's traditional grain bowls in the Caucasus and Ukraine. Since then, however, heavy rains and hailstorms have damaged crops—especially in the chief areas producing for government procurement. This came on top of a dry June which may have depressed yields in the new grain producing lands of the east: the Virgin still disappoints. Certainly, the first tentative forecasts of the wheat crop put out by Soviet officials have indicated a significant decline from last season's very satisfactory outturn. But other grain crops do not seem to have been so badly hit. Neither Soviet nor western estimates suggest anything like a repetition of the disastrous shortfalls two years ago.

Part of the squeeze on Russian grain supplies this year may result not from wind and weather but, more predictably, from the diversion of a much larger share of the harvest into the lucrative business of fattening up the country's livestock. One of the planks of the new farm policy of Messrs Brezhnev and Kosygin in March was a very substantial increase, by as much as a third, in prices for meat and dairy produce. It is now roughly twice as profitable for a collective farm to stuff a ton of grain into pigs as into a government procurement bin. And Russian farmers are as adept as their western colleagues in doing their sums—and acting on them. One result may have been to swamp completely the small price incentive offered to farms delivering grain to procurement centres above their basic target. The target was in any case pitched high—lower admittedly than last year's extraordinary figure but as high as during the previous two "best" years for Russian

agriculture. In effect, in working out prices and targets with an eye to increasingly choosy city palates, Russia's new leaders may have underestimated the disproportionate cost of switching production from grain to meat and dairy products. The harsh fact is that at present there is very little prospect of getting *both* more livestock and higher grain procurements. As in 1953—if far less dramatically—a shift to feedstuffs for pigs seems to be occurring at the expense of an actual and substantial decline in the breadbasket.

So Russia's present difficulties are as much a function of policy as of the weather. The stage has now been reached when debate on the whole sorry mess has even broken out into the public arena. For the first time, an article has appeared, a week ago in *Komsomolskaya Pravda*, which suggested backing away from the system of collectives and tight state control, at least in the virgin lands where settlers are not easily attracted and held. It is a suggestion that amounts to a quiet revolution—one that has actually been translated with official blessing into an experimental unit in Kazakhstan.

WHILE the Russians are searching their souls—and revising the agricultural rule book—the western grain producers are busily counting the profits, direct and indirect. They promise to be enormous. Shortfalls in Russia's grain supplies have not only brought this giant back into the market. They have also assured that the eastern European countries will again meet a substantial proportion of their normal import requirements of 5 to 6 million tons of grain in the West, although Russia will certainly meet its hard commitments to east Germany and Czechoslovakia. Altogether communist purchases of wheat this season could total some 16 to 17 million metric tons and account for more than a third of total western exports of wheat and flour. China is already committed to buy at least 4 million tons and may well be back in the market late this year or early next. Moreover, these purchases are largely for hard cash. The special sweetener of the Russian buying spree is that the bulk of its purchases almost certainly will have to be financed by sales of gold. Even when a generous allowance is made for increased export efforts and the country's established position as a large net borrower of Euro-dollars, conservative guesses put likely sales of Russian gold for this season's grain buying at some $450 million—virtually all of it through the London market.

The major direct beneficiary of the big jump in communist grain purchases will again be Canada. Orders for 6 million metric tons of wheat and flour to be shipped within the next twelve months have already been placed by Russia to a blaze of jubilant Canadian publicity. The Russian orders alone are all but enough to ensure that this year's bumper Canadian harvest will be entirely sold. And the Canadians are also hoping to make further substantial sales to China, which last season completed, a year ahead of schedule, its earlier three-year buying programme of 187 million tons. But the Chinese, unlike the more hard-pressed Russians, are likely to hold out for their demand that further purchases of grain be linked with larger sales of Chinese goods to Canada; China has already run up substantial debts in the west.

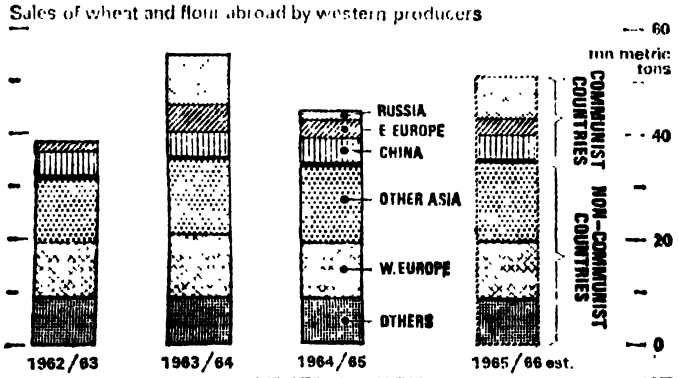
Argentina and Australia will also benefit from the boom in communist buying. Argentina has already contracted to sell over 2 million metric tons of wheat to the Russians—1 million of it against oil. This unexpected fillip should bring the country's stocks of wheat back down to acceptable proportions. France, too, this time round, may find that its prospects match its hopes.

Tempted by the promised schedule of higher prices under the common market, France's farmers are expected this season to produce a wheat crop of some 14½ million tons, to beat the record of three years ago. Of this, roughly 4 million tons will stay on the farms to be used as fodder and another 6 million will be sold on the domestic market. There should now be ample outlets for the remaining 4 million tons. So far some 700,000 tons are earmarked: mostly for Russia and Poland. Another 3 million should be picked up by traditional buyers in Europe and north Africa. For the last 500,000 tons or so French farmers are looking east again: apparently further Russian inquiries have already been received by the French authorities.

Virtually the only major wheat exporters in the West which is not expecting to share in the spoils of the Russian shopping tour is the United States—always last on the Russian shopping list. No one expects that the recent change in the old American regulations that half any tonnage be hauled expensively in American ships will itself bring the Russians running—not while supplies are ample elsewhere. And, the Americans, virtually alone, expect to see their stocks rise. Still, at the least, competition in world markets this year is likely to be less tough than it looked to be only a few weeks ago. Comparatively, it has suddenly become something of a seller's market.

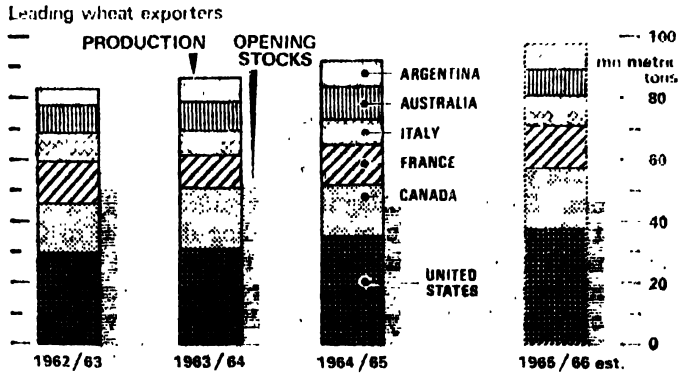
A MAJOR CASH BUYER COMES BACK

Sales of wheat and flour abroad by western producers



BUMPER CROPS AND STOCKS

Leading wheat exporters



Odds-on Politics

Political betting is new and it's fun. But how significant is it, politically or economically?

LONDON'S attractions as the world's contemporary gambling centre have been increased over the past two years by its bookmakers' imaginative exploitation of a new and intriguing field. Today, they offer odds not merely on Britain's own general elections, but on party leadership contests too, and even on other people's elections: the American last November and now the German one next month. Although the amounts staked are minute compared with total British gambling turnover and trading volume on the London Stock Exchange, new money is flowing towards the bookmakers, and a significant proportion of it comes from the City of London, where some of the more venturesome have nosed out a novel if peripheral medium for hedging their investments. Yet political betting's real value as an alternative investment hedge, its usefulness as an additional political barometer, and its potential growth as a specialised form of betting are all limited by the very nature of a bookmaker's business.

A bookmaker's aim is to keep his element of gambling in his transactions at an irreducible minimum. The more he knows about a subject, the more intelligently he can take a view when he fixes the opening odds on an event. Then, as the punters' money rolls in, he adjusts the odds he offers with the aim of taking in about £108 for every £100 he will have to pay out. The more runners there are, the easier this is. A bookmaker's nightmare is a one or two-horse race in which he knows nothing about the horses or the track.

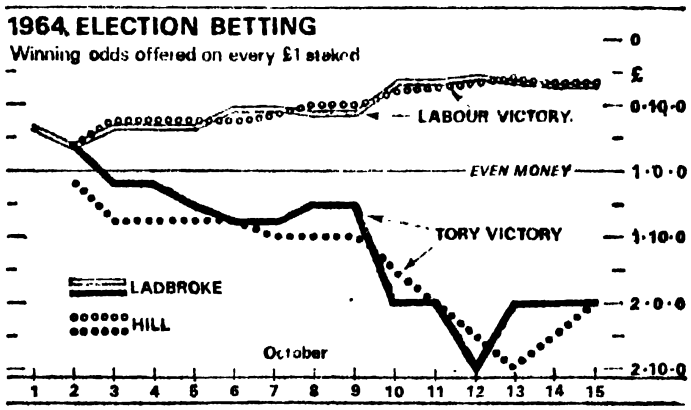
One drawback of political betting from the bookmaker's point is that it usually is a two or three-horse race. When it comes to a major event, like a general election or a party leadership contest, he can form a view on the outcome at least as well as anyone else (indeed in the recent Tory leadership stakes, one firm of bookies made a profit only by ignoring the "expert" opinion of its adviser in the Commons). But when it comes to opening a book on by-elections or issues like steel nationalisation or sterling devaluation, bookies shy away. "Betting on devaluation wouldn't be *nice*," said one bookmaker primly, adding as an afterthought, "besides, I don't know anything about it." And this limit on the number of political events that lend themselves to a book adds an impediment of its own to the expansion of political betting. Bookmakers have found that specialised betting of any sort attracts the occasional, specialised punter without often converting him to a regular; and this means that bad debts increase. Without recourse to law for the recovery of betting debts, the one hold that bookmakers do have over a punter is the punters' fear that he will not be able to go on gambling unless he meets his obligations. This has little force on the occasional punter, and some bookmakers have noted that a City man's word is not necessarily his bond west of Temple Bar.

Although many British bookmakers used to take scattered political bets from favoured customers, their long-standing reluctance to make a book on political events was breached only in October 1963, when Ladbroke took £14,000 in bets on Mr Macmillan's successor (and a lot of last-minute money plumped for Mr Butler). A year later, at the general election, Ladbroke was joined by Britain's biggest bookmaker, William Hill (Park Lane) Ltd. and by a smaller firm, Joe Coral Ltd. Most political betting in Britain goes to these three firms, other bookmakers usually taking their odds and setting off their bets with one of them.

Last year, just over £600,000 was bet at Ladbroke on the general election, £280,000 at William Hill and some £10,000 at Coral. In addition, Ladbroke and Hill together took bets of about £100,000 on the American presidential election in November. This £1 million of political betting represented about 0.6 per cent of additional turnover for Hill and about 2.8 per cent for Ladbroke. In terms of national gambling turnover it amounted to a flea-bite. National turnover was estimated by the Churches' Council on Gambling to have come to some £885 million in 1964, excluding an unknown amount wagered at gaming clubs. The council's breakdown included some £600 million staked on the horses, £110 million on the dogs, £85 million on football pools, £45 million on fixed odds football betting, £35 million on bingo and £10 million at fun fairs.

But a general election—ordinarily—comes to Britain only every five years and now the amount of political betting has again dwindled to insignificance. This year, about £125,000 was bet on the Tory leadership last month; about £100,000 has been staked on the prospect of another British general election this year, and on the outcome, if there is one. More interestingly, a few thousand pounds have been accepted by Ladbroke from punters in Germany on the outcome of the Bundestag elections on September 19th (8 to 11 on the Social Democrats, even money on the Christian Democrats, no odds on the Free Democrats).

So far, the bookmakers have managed their customary gross profit of about 7 per cent on political betting by being right on the main issues and offering correctly weighted odds. But their changing odds have proved an uncertain political indicator for all that. This is not only because of the distortion automatically created by the big money: when Mr Maxwell Joseph, the property magnate, laid his famous £50,000 on Labour last October 3rd, that alone was enough to



swing the odds, so that he got 4 to 5 only on the first £12,500 and had to take slightly shorter odds of 8 to 11 on the remainder. Even to the extent that an accumulation of smaller bets does make an impact on the odds, this reflects the view of punters rather than their voting intentions; and the two need not be the same. Significantly, about two-thirds of the money bet at Ladbroke on the general election came in bets of £2,000 or more. Most was staked on Labour and represented "hedging" by City punters betting one way, but mostly determined to vote just the opposite. So the odds on Labour shortened far more than the result justified. Moreover, the shortest odds were consistently being offered on a Labour majority of 31 to 40, while the odds offered on a Labour majority of less than 10 widened during the last fortnight of the campaign. In other words, anyone who had been relying on the betting odds for a guide last October, would wrongly have concluded that the most likely outcome of the election would be a Labour majority of over 30 and that the prospect of only a small Labour majority was becoming less and less as the campaign progressed. In the latest Tory leadership contest, the money pushed the odds at Ladbroke into Mr Maudling's favour: at William Hill they remained narrowly in Mr Heath's favour because Mr Hill personally took a view on Heath and stuck to it.

This element of view taking by bookmakers further distorts the reliability of the odds as a political indicator. Although they have generally proved correct so far, they remain the views of individuals, however intelligent and informed. They are not a measure of public sentiment. The bookmakers' view on the last British election, like nearly everyone else's, very nearly proved wrong by over-favouring Labour's chances; and had the Tories won, the bookmakers would have lost a great deal more than they actually won on Labour's hairbreadth victory. Moreover, a punter's actions are influenced by his desire to hedge, regardless of the result he actually expects; they also influence betting on the event but not the event itself. This is the essential difference from stock exchange operations: an investor's actions themselves contribute towards the result he anticipates.

Yet to some extent investors have been shifting money into bookmakers' parlours: many of the big bets on the general election came from the City and such hedging has since been made additionally attractive because while capital gains have now become subject to tax, gambling winnings remain exempt. Investors who successfully backed Labour last October at odds of 1 to 2 or 1 to 3 have offset, probably handsomely, the declining value of their shares reflected by a drop of about 13 per cent in *The Economist*-Extel Indicator from its peak last October 1. Nevertheless, this remains gambling from the investor/punter's point, and not hedging in any accurate sense. The reason is that in political betting you cannot "hedge" with a bookmaker against an eventuality you fear in the same direct sense that you can hedge against it with a put and call stock option or with a forward transaction in foreign exchange. A man hedging against a Labour victory last year was really hedging against a decline in share prices in the wake of such a victory. But this itself is not what the bookmakers were offering odds on. And a Tory victory last autumn could have been (and almost surely would have been) followed by a slump in share prices just as the Labour victory was in fact.

True hedging with a bookmaker is possible only when he offers odds on financial developments as such, for instance the book run by Coral Index Betting on movements of *The Financial Times* industrial ordinary share index.

In summary: political betting is fun for punters and, usually at less risk, for lobby correspondents. It provides some bookmakers with a welcome touch of jam on their bread and butter of turf and greyhound income. It does no great or visible harm. That seems enough. It is not necessary always to seek deep implications in every new shading of the odds on politics.

BUSINESS □ BRITAIN

THE ECONOMY

Further Deflation? No, No, No

A WEEK which leaves no doubt that, once again, a period of rapid expansion in the British economy has come to a halt within two years, has at last silenced the still-more-deflationists. A month ago we were saying that all the familiar signs of stagnation had appeared and that, in the short run, direct operation on the trade balance was to be preferred to devaluation. Now the signs are definite trends: output fell a shade in the second quarter, unemployment this month was up for the fourth month running. On Thursday, both Hoover and Ford went on short time. And the National Institute *Economic Review* came out with an appraisal which, in substance, is very similar to our own of a month ago, although here and there the arithmetic behind it differs.

The institute sees rather less growth in personal consumption than we do (Business Brief, July 24th), even after we allow for the impact of the July measures. On the other hand the institute thinks stockbuilding will continue for the next eighteen months at a rate of £250-£300 million a year; we still believe the economy will adjust itself to a lower ratio of stocks to output than in the past. On the assumption that the surcharge is removed towards the end of the year, the institute forecasts that national output at the beginning of next year will be only about 1 per cent higher than at the beginning of this year. If the surcharge remains, it might be 1½ per cent higher. Either way, only a fractional further rise is seen during 1966.

We are a shade more optimistic but we certainly would not quarrel with the institute's total forecast: allowing for the impact of the July measures, it is broadly in line with our own thinking. So is the institute's summing-up of the choice before any government in the next few years. It thinks that the government can survive an autumn run on sterling; it may also manage to get a surplus on current and long-term capital account by the end of 1966—but at the cost of output foregone. Buying time for the pound, as we put it, at the price of no growth at home. Thereafter, to the institute, the choice seems between "quasi-stagnation" (2-2½ per cent

output growth, rising unemployment—2½ per cent or over 500,000 out of work by the end of 1966 and still rising) or an inability to repay by 1970 the debts incurred last year. And the institute's remedy? "Either import propensities or export competitiveness have to be changed." Alas, it is depressingly familiar. The institute's appraisal has pulled out nothing new, but it adds important weight to the argument for that poor second best expedient, import restrictions, at the least as a substitute for any reduction in the surcharge.

STERLING

Forget About 1970

In the past two weeks the behaviour of sterling itself has reflected essentially the same market assessment: that the short term danger for sterling is past, but that the medium term pressures remain strong. This week, as last, sterling has been able to more or less hold its own. A little official support may have been given in the spot market in New York on Monday, but on the other side there may have been occasions when the Bank of England or its agents were able to pick up a little of the foreign exchange lost in the earlier heavy bout of speculation. But there has been no significant reflux of funds to London.

The market's feeling that the government is both politically committed and financially capable of avoiding any imminent devaluation is likely to be reinforced by the National Institute's analysis. But equally, fears for 1966 and 1967 could well be confirmed. For the institute, in fastening on the big repayment burden between 1967 and 1970, has thrown doubt on Britain's ability to maintain, on present export and import propensities, not only a reasonable rate of economic growth, but full employment itself. For, *pace* Mr William Martin of the Federal Reserve, productivity in Britain is now rising more quickly rather than less: so if output has to be held down to save imports, it is employment that suffers. There are obvious hazards in attempting these future projections too closely. And specifically, one may question the National Institute's assumption of "neutral confidence." Since much of Britain's loss of over £1,000 million reserves since the autumn has taken the form of advance payments for Britain's own imports and delayed export remittances, one would normally expect a very substantial reflux of short term capital even without any rebuilding of foreign short term investments in London.

It was in this way that the £536 million borrowed from the International Monetary Fund in 1961 was repaid in less than a year, even though Britain was then also bracing itself for a three to five year repayment effort. If one cannot realistically look forward to the same turn-round in confidence now, that is not solely or even mainly because of the colour of the government: but more awkwardly because of the further deterioration in Britain's own basic payments balance that has taken place between the last business cycle and the present one. Yet if the tide of confidence does not turn, and bring the foreign exchange flooding back, one may be sure that any government will have its hand forced by the domestic pressures of 1966 to act directly on the trade balance in one way or the other. And if on the other hand the payments balance does improve more quickly and more basically than can now be foreseen, then the return of foreign (and British) short term funds will itself enormously ease the repayment obligation. Finally, one should remember the thoughts going round in the minds of a number of influential foreign central bankers, that Britain's IMF borrowings should be funded in something like a twenty year long term loan. In short: the 1967-1970 prospect of rising unemployment forced by crushing debt obligations is the least likely prospect of all. It is what the National Institute quite correctly put forward as happening if all other things are equal, which they will not be.

POPULAR BANKING

Operation Giro

Britain's giro system is now under way and the battery of computers ought to be in operation in three years time, according to the White Paper issued this week.*

* Cmnd 2751.

KEY INDICATORS

THE BRITISH ECONOMY

LABOUR MARKET

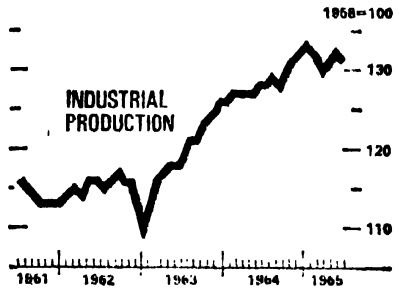
Easing continues. Unemployment up for the fourth month running, vacancies down for the second month. In all regions, figures tell the same story : fewer jobs, more jobless.

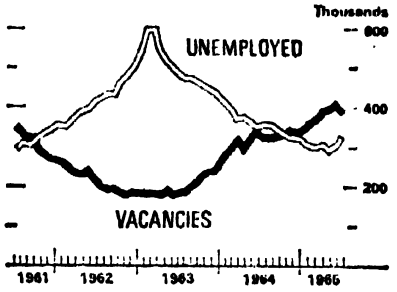
INDUSTRIAL OUTPUT

Slipped one per cent in June. Index now stands lower than at the end of last year. Apart from growth in chemicals and construction, most industries have recorded no change or slight declines over the last few months.

RETAIL PRICES

Steady in July—helped by seasonal falls in food prices. The retail price index rarely rises at this time of the year.





Figures seasonally adjusted. Unemployed—wholly unemployed excluding school-leavers. Vacancies—numbers unfilled at labour exchanges.

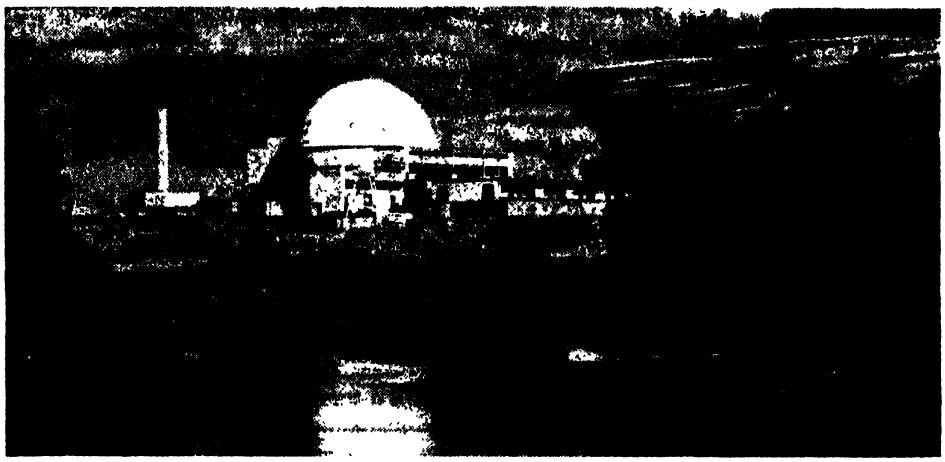
	Month	Index 1958=100	Percentage change from: Previous month	Three months ago	Twelve months ago
Industrial production*	June	131	−1	nil	+2½
employment*	June	103·9	−0·2	−0·3	−0·2
productivity*	June	126	−½	+½	+2½
Export trade* †	July	137	+11	+7½	+20
Retail trade*	June	119	−2	−4	nil
Unemployment*	August	00·4	+1·5	+6·6	−9·8
Wage rates (weekly)	June	127·8	+0·3	+0·9	+3·7
Retail prices	July	121·5	nil	+0·6	+4·9
Export prices	June	109	nil	nil	+2

** Seasonally adjusted. Export and retail trade reflect movements in volume terms, i.e., in value at constant prices. Unemployment refers to numbers wholly employed, excluding school-leavers. † Provisional.*

Presumably the modernising Mr Heath will not suppress it? The 8 per cent required rate of return has been calculated after allowing for the loss of profit on other money transmission services and the extra strain the service will impose on post office counter staff and other postal services. Since the giro office is expected to handle over a million transactions a day and each transaction should necessitate three letters through the post (one to the giro office, and two from it), it will be interesting to see what effect this massive increase in traffic will have on the mail services, which are one of the Post Office's profit earners. There is clearly a danger that the costings of the giro service may become submerged into the overall post office accounting. What would surely make more sense would be for the giro to be constituted as a separate self accounting unit, paying suitable charges to the main post office administration for the use of post office counters and mail services.

According to the White Paper, some 200,000 accounts from institutions (including commercial companies) are expected within five years. And the expected 1.2 million private account holders works out at 20 accounts per thousand of the total population. Although this is certainly far lower than the pattern in typical continental countries it remains to be seen if demand will even be as high as this. For what does also seem clear from continental countries is that the giro system is as much a middle class preserve as banking accounts are here.

ATOMIC POWER



£200 Million Experiment

ATOMIC power is entering its third and probably most expensive experimental stage. Each of the first reactors at Calder Hall cost around £8 million and served as prototypes for all the atomic power stations built in Britain up till now. The advanced gas-cooled reactor built at Windscale, which is the prototype for the second generation of nuclear stations commencing with the now-notorious Dungeness "B", cost £9 million. Towards the end of this year, the Atomic Energy Authority will ask the government for permission to start work on a third generation prototype, and that could cost £200 million.

Reason is its size; power station sets, now running at 600 megawatts, are expected to reach 900 MW in the second half of the 1970s. Prototypes of reactors designed to run with them will have to be big or they will not give reliable enough data for scaling up to commercial sizes. This puts the size of the AEA's next prototype, developed from the experimental fast reactor at Dounreay, at around 200 megawatts, making it a very considerable power station capable of supplying a large city.

It could be argued that the 600 MW reactors of Dungeness "B" were scaled up —satisfactorily, one hopes—from the 33 MW Windscale prototype. But that is still a simple reactor, still basically a big mass of graphite and concrete with holes in. The Dounreay fast reactor is an utterly different specimen, small, complicated, involving much chemical engineering (which is exceptionally difficult to scale up) and unpleasantly reactive materials. It has just ended its second period of three months' running at full power, generating a steady 15MW throughout, but it does not follow that larger sizes will behave as sweetly. The intermediate prototype stage is essential, not least because the Dounreay design is clumsy, and the bigger version will look very different internally. And it is worth attempting, partly because fast reactors are fundamentally small, and offer the prospect of very big capital savings in commercial sizes, partly because the UK Atomic Energy Authority is the world's leading exponent of fast reactor technology. However, the fact that an avowedly experimental installation is going to cost around £200 million is a bit breathtaking and makes even Concord look more modest. There will, of course, be its electricity for sale for as long as, accidents permitting, it continues to function. But the price of technical leadership is becoming terrifyingly high.

Banks Bow Out?

THAT may make life difficult for the Benn giro; but the fact remains that any major extension of the banking habit to the population at large is likely to be more economical through the giro than through the existing banking mechanism. Have the banks themselves now implicity acknowledged this? For perhaps the most remarkable aspect of the giro story so far is the resounding silence in the direction of the banks. Ahead of the decision, the clearing banks were mounting something of a campaign to demonstrate that a Post Office giro was totally unnecessary, and that the job could be adequately done through the banks' own credit transfer facilities. Yet some of the wiser heads in the banking world have throughout been dubious about the advantages to the banks themselves of pressing forward too rapidly and too indiscriminately to capture the small man's custom, which can entail heavy costs in extension of branches and bring a disproportionately small benefit in volume of deposits. A number of bankers showed interest in the suggestions made in these columns in the spring for a close integration between new transfer facilities at the Post Office and the banking mechanism. Now Mr Benn too declares his intention of complementing rather than rivalling the banks' own facilities.

This more sober approach to popular banking is likely to be reinforced by the survey of banking habits carried out in July by National Opinion Polls, commissioned not by the banks themselves but by Thomas de la Rue, which prints the cheque paper. (This sets an intriguing precedent of putting public pressure on one's customer to extend his capacity.) The survey throws up a whole host of incidental information which the banks themselves could very easily have made known, and rather more accurately than on this sample basis. NOP found that

- 26.7 per cent of Britain's adult population has a personal cheque book current account; this compares with the banks' own rough indication of one third.
- In Scotland the proportion was only 16 per cent—despite that thrifty habit and despite those surplus bank branches.
- One in every five account holders use their branch on Saturday morning, when the banks may soon close: but quixotically, half of all bank customers think it quite fair to have the doors shut on them on Saturday mornings.
- The banks already have 76 per cent of the custom of the "AB" middle class and 44 per cent of the lower middle class "C1" grade.
- 43 per cent of the sample customers had drawn three cheques or less in the previous four weeks, and 65 per cent had drawn 6 cheques or less.
- About one fifth of all employees are now paid by cheque or credit transfer: yet 28 per cent of these do not themselves have a bank account.

These last two findings, in particular, point to the possible extravagance in push-

BARCLAYS N EUROPE

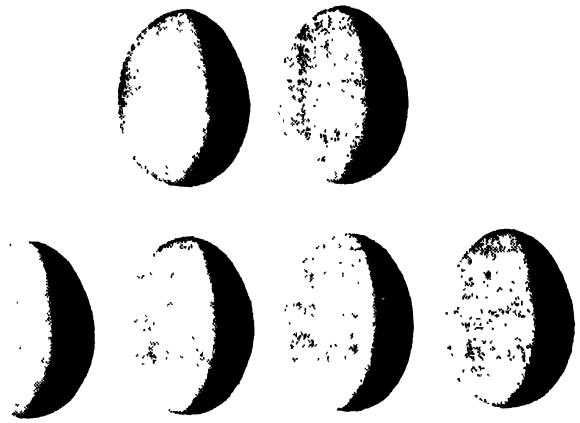
Few people in Britain embark on European ventures without the help of their Bank. From the straightforward business of travel arrangements to the more complex matters of foreign trade, we in Barclays can look after quite a lot of your European money problems. We have many tried and trusted friends amongst the bankers of the Continent; we have our own European representative, Mr. R. G. W. Lambert, in Zurich; Barclays Bank D.C.O. has an office in Hamburg; we have a close association with the Banque de Bruxelles and the Banque de Commerce, in Belgium; Barclays Bank (France) Limited has twelve branches in metropolitan France and one in Monte Carlo; and we have joined forces with six other European and American Banks to set up a Spanish Development Bank, Bandesco. One way and another we are well equipped to make your venture into Europe certainly easier and possibly more profitable.

The Manager of your nearest branch will be glad to discuss your European problems with you. Alternatively, please get in touch with any of our specialised Foreign branches:

London: Chief Foreign Branch, 168 Fenchurch Street, EC3
West End Foreign Branch, 1 Pall Mall East, SW1
Other Foreign Branches at: Birmingham, Bradford, Bristol, Cardiff, Ipswich, Liverpool, Luton, Manchester, Newcastle upon Tyne, Nottingham, Reading, Southampton

BARCLAYS BANK
Money is our business–throughout the world

a true tale for chemical plant planners



Once there were 6 'egghead' engineers who worked for a petrochemical manufacturer.
Like most eggheads they were easygoing guys. Except when it came to facts. Here they were hardboiled.
One day the Planning Department asked them to help check out contractors for a new chemical plant.
"Glad to" said the 6.
So they began to look over the advertisements of contractors.
What did they find? One unsubstantiated claim after the other:
biggest . . . best . . . newest techniques . . . most experience . . . blah, blah, blah.
Few contractors gave facts. One contractor, the Japan Gasoline Company, gave nothing but facts. Some samples?

- One contract for planning through test and turnover of any kind of chemical plant (oil refineries, petrochemicals, coal tar, gas chemical, fats and oils, fertilizers, synthetic resins, others).
- 1000 engineers in all fields of chemical engineering.
- Projects in countries such as Pakistan, India, Burma, Korea, Formosa, the neutral zone between Saudi Arabia and Kuwait, Puerto Rico and other Latin American countries.
- Over 300 process units installed in the last 10 years.
- License agreements with leading engineering firms such as Universal Oil Products Company in the U.S.A. and Friedrich Uhde GmbH in West Germany.
- Engineering and construction of Japan's first two Isomax units.
- Guarantees of no delays in delivery.

They soon agreed to wire JGC.
And, happily, they found JGC to be very hardboiled about facts.
JGC showed and talked nothing but facts.
Did they recommend JGC to their Planning Department?

* Wouldn't you? A true tale told by the Japan Gasoline Company, New Otemachi Bldg., Chiyoda ku, Tokyo, Japan

Engineers & Constructors
JAPAN GASOLINE CO., LTD.
Process engineering from "on-paper to on-stream"

ing personal bank accounts much harder. For there is little point in having a non-interest bearing bank account that one hardly uses; and positive inconvenience in receiving cheques that have to be peddled round the local shops for cash.

DIESEL ENGINES

Perkins Into Japan

PERKINS of Peterborough, part of the Massey Ferguson Group and one of the biggest diesel engine producers in the world, has signed a licensing agreement with the Toyo Kogyo Company in Japan covering diesel engines for cars. Japan is notoriously inhospital to foreign investors, this is the only way that Perkins can get a foothold inside the country. Toyo Kogyo, building Mazda cars and trucks, will eventually manufacture the complete Perkins range from 18 h.p. to 135 h.p. at its Hiroshima factory. Perkins already has numerous licensing agreements with other countries including Jugoslavia and India, has been quietly moving into the Japanese market since last October when Japanese currency became convertible. The group has now set up the nucleus of its Japanese distributer organisation which will sell British-made industrial, agricultural, and marine diesels which can still compete on the Japanese market despite a 15 per cent import tax. British built car diesels, on the other hand, face a 30 per cent import tax which priced them out of the Japanese market until this licensing agreement with Toyo Kogyo was reached.

PORTS

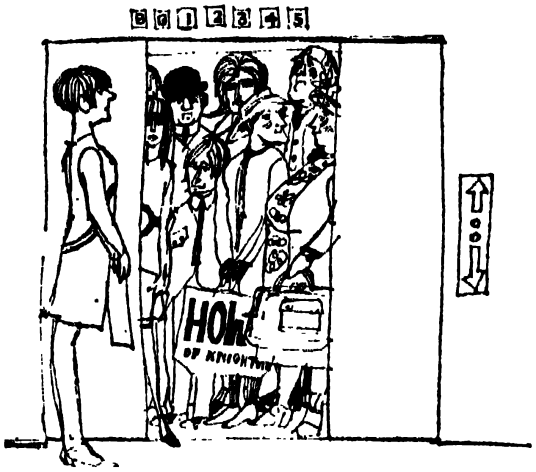
Customs Off the Docks

CUSTOMS and Excise, never the most imaginative of government departments, took a large step this week towards easing port congestion by reaching agreement with virtually all the major shipping and transport organisations in the country on the conditions under which "Public Inland Container Depots" can be set up. These depots have been under discussion for some time; the idea is to create collection and distribution points away from the overcrowded dock areas where cargos in sealed pre-packed containers can be cleared through Customs. This should cut out delays at the quayside; it will also give a boost to the already growing trend towards the use of containers to cut cargo-handling costs—containers are loaded on and off ships mechanically with the minimum of increasingly expensive dock labour.

So far only one company—Coast Lines—with sea and road transport interests, has actually set up a container depot at Salford, which mainly handles trade to and from Ireland. But another depot is planned in Birmingham in co-operation with some other transport groups. British Rail likes the idea because it fits in with the liner train project, and a number of transport companies are known to be studying plans for container depots which are likely to be announced soon. But the National Ports Council is less pleased. The N.P.C. has no such control over the spread of container

LIFTS

Squeeze in the Shaft



High speed lifts that zoom up skyscrapers at 500 or even 1,000 feet a minute probably accounted for less than a tenth of the £26½ million worth of lifts and escalators delivered (£3 million to overseas buyers) last year. Only a handful of the 30 or 40 specialist lift makers in Britain have the resources—technical and financial—to chase after these prestige jobs. An enormous amount of preliminary work goes into a high speed multi-storey lift installation where the lifts may ultimately determine the height a building can reach. Above a certain height, the lifts needed to give the occupants a reasonable service start eating into an unreasonable proportion of lettable floor space. And the engineering is highly complex. Control systems now allow each lift in a set to move in whatever direction gives the quickest service to the calls being made on it at that moment, instead merely of moving straight up and down and up the building again as they once did. And lift makers are evolving methods to give a smoother ride—reducing the swoop of acceleration and deceleration.

The rest of the lift business is in the less glamorous jobs—slower passenger lifts, goods lifts, dumb waiters, crude block and pulley systems—and escalators. This is the province of all the smaller companies. There are often better profits to be had in jobs where a certain amount of standardisation and mass production is possible. British General Electric, for example, has something of a corner in London council flats, and landed a £1 million contract last April for 200 lifts. The lifts in a skyscraper are excellent for advertising, but hitches on site can rapidly diminish profits. And competition at the top is getting tougher. Existing companies have expanded capacity and top lift companies from abroad have started up in Britain. Meanwhile deliveries, after shooting up from £6 million in 1956 to £24 million in 1962, have risen by only £2½ million in the following two years, while the latest restrictions on office development must affect demand for high speed lifts.

So companies like Otis—the American giant which tended to have the field to itself while the United States had the virtual monopoly of installing lifts in skyscrapers—is beginning to meet European competition and in particular an international challenge from Schindler, a Swiss company that has grown up since the war. Five years ago, Schindler arrived in Britain in partnership with Stone-Platt. Turnbull, one of the leading Canadian lift makers, also linked up with a British engineering company two or three years ago. And a Finnish lift company is now represented in Britain too.

But generally lift makers get their regular income from maintenance and it is often worth their while to cut tender prices for installation to zero profit levels to get the subsequent maintenance contract that usually works out at an annual 2 or 2½ per cent of the installation price.

Marryat and Scott has sensibly supplemented its income from lifts with interests in less competitive fields. Five years ago it started importing prefabricated escalators from the continent. These are a third cheaper than escalators which other lift makers build *in situ*. As a result, Marryat, sometimes at least, as on *The Economist's* own development—wins the escalator contract in a building where Otis, or its peers, puts in the lifts. Marryat is now going into passenger conveyor systems; from this month it has the right to market, install and maintain conveyor systems designed by the American company, Stephens-Adamson, and built under licence here by Sutcliffe Engineering Systems. So far only one is in use in Britain. But passenger conveyors are becoming important, and no lift maker can afford to laugh at them.

There is only one way to find out what this star stands for

There is a lot one can say about a Mercedes-Benz, but when you get behind the wheel all that counts is the car itself. Drive a Mercedes-Benz, test it just for sheer enjoyment of it. Let the Mercedes-Benz demonstrate its power, its safety, its comfort. Give the car a chance to speak for itself. What it promises it will fulfill, and for many years. Its star is its guarantee and what it represents you will discover at the wheel of any Mercedes-Benz.

For your information: There are Mercedes-Benz automobiles available with engines from 1,9 to 6 litres, from 60 to 300 HP SAE. On top of that you have the choice of the faultless Daimler-Benz automatic transmission and power steering for all models. Come and see us. We'll be happy to talk to you – and give you a trial run.

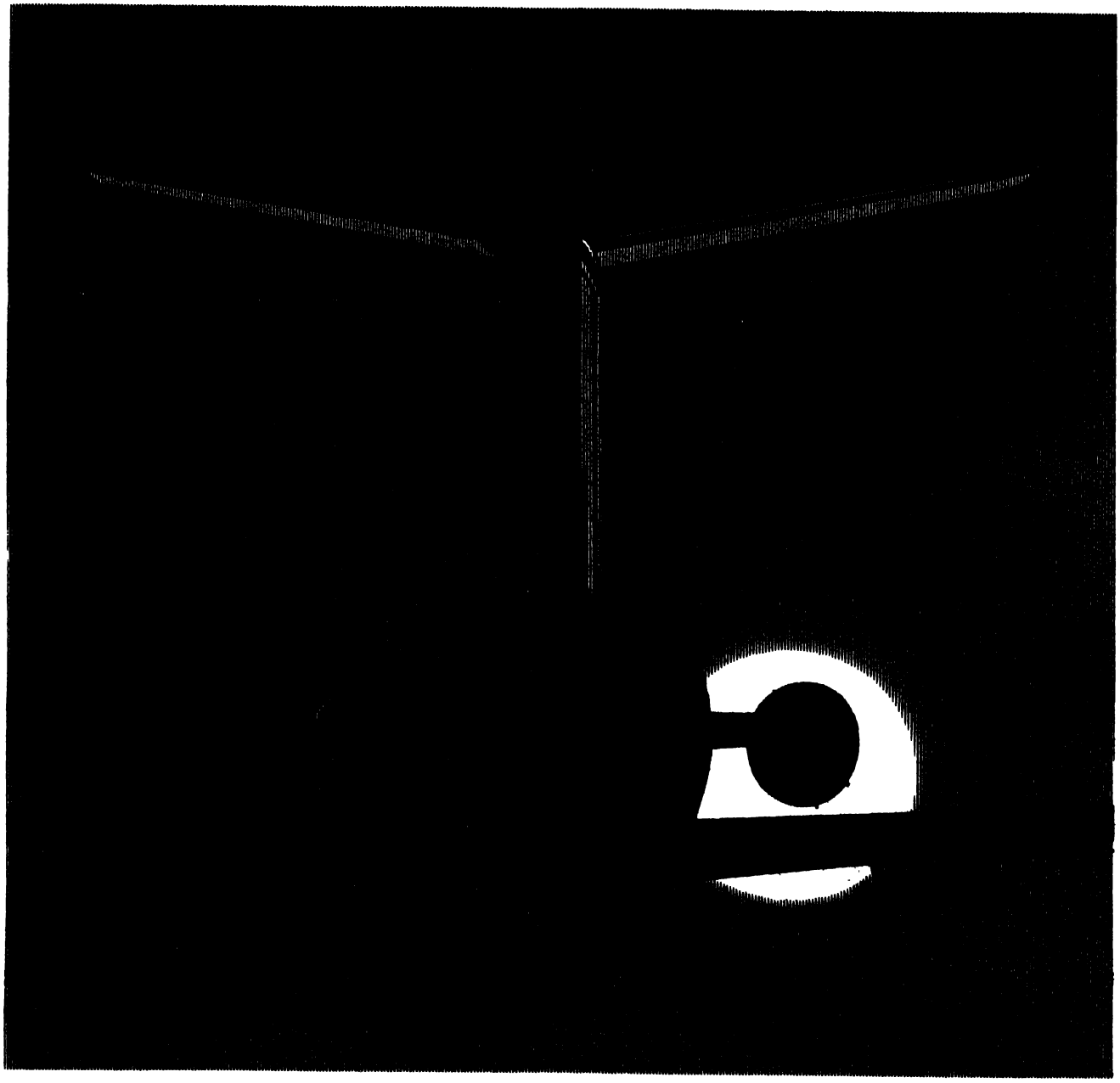
MERCEDES

High-tailing it for higher profits:

The DC-9, newest member of the Douglas royal family of jetliners, is now undergoing intensive flight-testing. This quick, quiet beauty is designed to make profits for airlines over routes from 100 to 1500 miles even when traffic is light. Since it has a coach capacity of 90 passengers, high-load factor operation will result in very high profitability. 262 DC-9s have already been ordered or optioned by Air Canada, Allegheny, Ansett-ANA, Bonanza, Continental, Delta, Eastern, Hawaiian, Iberia, KLM, Ozark, Saudi Arabian, Swissair, Trans-Australia, TWA, and West Coast.

DOUGLAS DC-9

DOUGLAS AIRCRAFT COMPANY, INC.
3855 Lakewood Blvd., Long Beach, California, U.S.A.



depots as it has over port development and it fears that bad placing or overcrowding of these depots may jeopardise the effectiveness of its National Ports Plan. It is starting studies at the end of this month into the siting and operation of container depots, but no one is obliged to take any notice either of what the Council does or thinks. The important point is, surely, that Customs and Excise has agreed to provide more points where goods can get clearance, and that these are going to be outside the dock area. So long as they get quickly off the quay, does it matter where they go from there?

AIRCRAFT DIVERSIFYING

Non-Flying Jets

JETS can do more than fly aircraft. Both Rolls-Royce and Bristol Siddeley now earn acceptable pin money by adapting jets to run small electrical power plants. For a good many years, aircraft companies have been arguing the virtues of these jet generators for peak loads and as stand-by plant without making much impact. Now, quite suddenly, the doors have begun to open to them. Rolls-Royce has just sold four Avon gas-turbine engines capable of producing 52 megawatts to a company in Hamburg. So far Rolls-Royce leads with 125 Avons sold for a total of £7½ million, nearly all of them coupled in twos or fours and with a combined electrical capacity now exceeding 1,500MW.

If Rolls-Royce is doing nicely-thank-you so is Bristol Siddeley with its Olympus and Proteus turbines. Using the engine that powers the Vulcan bombers, the Olympus generator can produce 20MW and costs approximately £400,000. Grouped in fours it produces 70 to 80MW. So far, 60 have been sold for £16 million and 2.7MW versions of the Proteus are on offer for £70,000; 21 sets of these have brought in approximately £2 million. This particular turbine has been modified to fit a jumbo-sized, 40-ton, self-propelled caravan that can trundle 2.7MW of generating plant to an emergency; so far six have been sold, three of them to islands, Rhodes, Las Palmas and Corsica.

Nearly all the engines are being used as peak-load stand-bys when one of their main attractions is the ability to be fully operating two minutes after being switched on. But there are other prospects: an Olympus is pumping oil into a pipeline in Germany and an Avon pumping natural gas across Canada. Bristol Siddeley provides all the engines for hovercraft. None of it is business on the aviation scale, but it is welcome enough in the present state of the aircraft industry.

OFFICES

Lombard on Trent?

THE well publicised misfortunes of the National Provincial Bank in its attempt to build itself a new head office will have earned less sympathy than they probably deserve. Banks are not natural sympathy-winners at the best of times, and in this instance some critics will blame bad forward planning by the bank rather than a malign combination of fate and government whim. But the bank's case for rebuilding is a strong one, and the refusal of permission to do so is the most striking evidence yet of the authorities' determination to call a halt.

How practical would it be to move some parts of a bank head office out of London? The banks have done some decentralisation of this kind already: at least three banks have moved their branch clearings (the only part of the clearing that is independent of other banks); one has moved its stationery department, another its staff department, another its administration department. But in the massive head office organisations it seems likely that more mobility could be found if it had to be. The clearing house and all the banks' clearing staffs spent the war years at Stoke-on-Trent, and some of the clearing people believe now it was a mistake ever to come back to London. If so it was a mistake that many other organisations made at the same time. And many other organisations are finding, like the banks, that it is much more difficult than it should be to reverse the centripetal forces that bind them to London; and that after a move is made there are substantial difficulties, especially with the post. There seems little enough prospect of a clearing house return to Stoke. But there are other aggregations of staff in the head offices. The National Provincial might be ripe for some LOB propaganda.

BUILDING LABOUR

Not Quite So Black

FOR all the developments in building techniques, the Ministry of Labour's Manpower Research Unit still concludes gloomily, in its report published this week, that craftsmen will go on being scarce. Builders are perpetually crying out for bricklayers, carpenters, plasterers, painters and plumbers. Skilled men—in the industry's language, craftsmen who have done their apprenticeship or those with newer skills like steel erectors and plant operators—account for 45 per cent of all building labour. Numbers in some trades have increased, but the 50 per cent growth in new apprenticeships (to nearly 30,000 last year) is offset by a net outflow from the industry among men of over 30. And the growth between 1959 and 1963 has been greatest in heating and ventilating engineers (40 per cent up, to 28,000) and in electricians (15 per cent up, to 92,000). The number of bricklayers has stuck at 123,000, plasterers at about 34,000 and carpenters and joiners combined only went up by about 11 per cent—to just under 200,000.

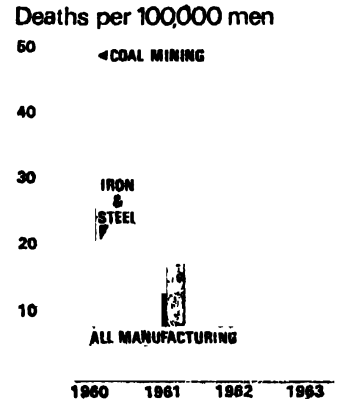
Industrialised building methods, prefabrication, standardisation and mechanisation are unlikely to alter this much, thinks the Research Unit, over the next five years. The Building Research Station will be publishing a really thorough report of the effects of technological change on skills in the industry some time next year. Even with system building gradually coming in for housebuilding, a great many houses will still be brick. And carpenters may be more in demand than ever, for many systems rely particularly on their skills. Plasterers could find themselves short of a job, unless they can switch to learning the new trade of erecting prefabricated parts. This is where there will be a growth in demand, and erection requires some expertise plus intelligence, not so easy to find among builders as it should be.

But is the prospect quite so black as the Ministry of Labour thinks? Productivity grows, often quite spectacularly, with experience. Not all builders are clay-headed dolts. Builders doing a big development of more-or-less identical houses have cut man

Death in the Mines

Does nobody care about the number of miners still being killed at work every year? Last year in Britain alone 198 died, two deaths on average every three working days, and 1,329 were badly injured. Despite a shrinking labour force, there was hardly any improvement on 1963's figure. Nor is Britain's quite dreadful record unique; France and Belgium show slightly better results but the German death rate is about four times worse. Compared with deaths in the steel industry—which is a dangerous one too—the coal industry's record is a disgrace.

And the reason? Carelessness of those in a position to know better. In his annual report the Chief Inspector of Mines and Quarries says "Among other disturbing features is the fact that the accidents involved so many officials and experienced workmen. Taking a strictly practical view and making allowances for human frailties, more than half of the accidents should not occur," i.e. more than 100 men would be alive today. And again "There was an almost incredible failure either to recognise obvious risks or to provide adequate safeguards against hazards which are likely to arise." In the face of this, what can one say?



hours per house from 1,800 down to 1,200. And now that building clients, architects and the component manufacturers are beginning to accept some degree of standardisation, builders may be able to cut their labour needs substantially—for new work. And what about immigrants? — Irish included?

SHIP REPAIRING

Sour Cream

THE Geddes committee now looking into the shipbuilding industry is to give no more than a cursory glance at ship repairing which is not covered by its terms of reference. This could be disastrous for the ship repairing industry which is even more riddled with restrictive practices than the shipbuilding industry and badly in need of a shake-up. Last year, £59 million of repairs were carried out in British shipyards compared with £128 million worth of new ships built. But properly organised repair work can be more profitable than ship construction—as the financial results of some of the leading shipyards that build and repair ships have shown. British ship repairers have been able to compete with north European shipyards in the past but are now facing stiffer competition from shipyards in the Mediterranean—particularly Malta and Southern France. Two French shipyards recently merged and announced that they would bid in future specifically for repair business. One of Britain's most successful shipbuilders and repairers—Swan Hunter—has an interest in the Malta drydocks and stands to gain the best of both worlds, but other ship repairers are becoming increasingly hamstrung by restrictive practices which the unions have not yet agreed to soften or remove—as they have started to do in the shipbuilding industry. The Falmouth ship repair yard—on which the town is heavily dependent—is now virtually at a standstill over a pay dispute rooted in a complex web of restrictive practices that have been allowed to continue for so long that they can no longer be controlled.

Last week, the full extent of restrictive practices in the ship repairing industry became public knowledge when a report compiled by the employers for their negotiations with the unions—containing the gory details of restrictive practices in ship repair yards all around the country—was leaked to the press. This caused acute embarrassment to the employers who do not—needless to say—want to advertise their weaknesses to the advantage of foreign competition and they claim the report was meant for union eyes only. They may have a point.

BUSINESS □ INTERNATIONAL

AUSTRALIAN BUDGET

Jumping Board for Harold Holt?

Canberra

THE seventh budget of Mr Harold Holt, Treasurer of Australia, is expected by the Commonwealth Treasury to be on balance expansionary in its effects on the booming Australian economy, despite tax increases amounting to £A85 million in a full year. The increases in taxation were expected, in view of the record increase in Commonwealth government expenditure by £A275 million to a total of £A2,677 million. Of this increase some £81 million was in defence spending. But as forecast in these columns a few weeks ago, the increases in taxation were not swingeing. A rise of 2½ per cent in income tax will mostly be paid by the richer people in the community. The bulk of the new taxes, £66 million in a full year, will come from higher taxes on beer, cigarettes, spirits and petrol. The price of a packet of 20 king-size cigarettes will rise threepence to about 3s. 11d. Australian and the tax on petrol will go up threepence to about 1s. 3d. a gallon—still less than a third of the tax in Britain. None of these increases is going to worry anyone in Australia very much, least of all the business community which feared increases in taxes on motor vehicles and corporations. The result has been a sensation of relief. Economic expansion is expected to continue strongly after last year's rises of 9 per cent in gross national product. In his budget speech, Mr Holt forecast that employment could rise by 3½ per cent in 1965-66 against a rise of 4 per cent in 1964-65. The areas of strongly expanding demand will be private fixed investment in plant equipment factories and offices and government spending. Less vigorous growth is expected in motor vehicle sales and house and flat construction.

Money will continue to be tight and may grow tighter, as Mr Holt expects "a further reduction of our overseas reserves, possibly a substantial reduction"—implying a further strain on London. A fall of £A150-£A200 million is expected following the fall of about £A150 million in 1964-65. But with the first and second line reserves amounting to £A1,000 million the Treasury can take the long view about the balance of payments, which will soon benefit from the minerals expansion now taking place. No further rise in official interest rates is generally expected from the current long-term rate of 5¼ per cent for twenty-year bonds, since Mr Holt made it plain in his speech he is not expecting big things from the loan markets this financial year.

Mr Holt has thus produced a mild budget which provides for continuing strong economic expansion and high imports (but not much higher than the 1964-65 record of £A1,375 millions). The labour market is expected to remain very tight, backed up by high immigration, mostly from Britain. Money is likely to stay dear and tight, private fixed investment and government spending are expected to remain high: price increases relatively minor. This may sound like a formula for success for Mr Holt, who is making his final run to the Prime Minister's chair. Senior cabinet ministers freely predict Sir Robert Menzies will leave the political scene by early 1966.

SOUTH AFRICA

Tightening the Screw

Government spending on arms and "defence" is never so disturbing to financial confidence as spending on those municipal swimming pools. But in South Africa it is the liberals who sternly demand of the government that it practises itself the retrenchment it preaches to others. Like our correspondent:

Cape Town

IT is scarcely surprising that the South African government has now been forced to tighten import controls in a renewed bid to slow down the four-year investment boom and the alarming drain on the country's foreign exchange reserves. The credit restraints and disinflationary budget introduced earlier this year underrated the sheer momentum of the country's economic expansion. More than this, the government has kept pumping liquidity back into the banking system through unchecked deficit spending just as fast as liquidity was being drained out of it by the progressively deteriorating balance of payments and by the raising of minimum liquid asset ratios.

Now, industrialists have been restricted to importing raw materials on the basis of only four months' consumption instead of six; imports of less essential raw materials are to be pegged at their 1964 levels; and

applications to build new factories will be scrutinised more critically, especially for factories that would rely on a large proportion of imported raw materials. A further indication of official intentions is expected in a statement to be made on Tuesday by Dr Gerard Rissik, the Governor of the South African Reserve Bank.

The question now is whether the government proposes to start exercising some self-restraint as well as merely requiring it from others. In addition to its heavy domestic expenditures, it has also been a major contributor to the reserve drain by its large arms purchases abroad. The need to check the outflow of reserves has first priority, but any success here must increase the need for tougher credit restraints unless the purchasing power diverted from imports is allowed to produce an accelerated rate of inflation at home. This is something the country can hardly risk as the world's largest gold producer receiving a fixed price of $35 an ounce for its principal export.

To a British reader all this must seem drearily familiar, and doubly discouraging because it concerns Britain's third biggest customer and the one with which, last year, Britain ran its biggest favourable trade balance. But having imposed its own import restraints last October, this is one occasion when Britain cannot call the South African kettle black.

JAPANESE SHIPBUILDING

Pinched by the Pound

Tokyo

THE sterling crisis has hit Japanese shipyards as much as it has helped British. Foreign shipowners have been pressing the Japanese to accept orders expressed in sterling—a good way of offsetting the risk that a devaluation of the pound would cut the value of their long-term charters, also expressed in sterling. The Japanese have been unwilling to do this until their government extends the exchange loss compensation law correspondingly. Officials of the Japan Shipbuilders' Association have been lobbying the government since December 1964. Meantime orders have fallen off sharply. The industry foresees total new orders this year of only 2,400,000 gross tons compared with 3,380,000 tons in 1964. Still, they have an order backlog of more than two years' production (7,190,000 tons as of March) and a large number of ships to be ordered domestically in accordance with the transport ministry's shipbuilding plan for 1966, which tentatively calls for construction of 2,200,000 gross tons.

The shipbuilders are also worrying about their competitiveness. They say they are being underbid by wide margins by British and other European yards, due mainly to the fact that ship plate prices and labour costs are rising. The price of a 65,000-ton tanker is currently about $100 per ton, or more than $10 higher than it was just a few years ago. Also, with a growing backlog of work Japanese yards cannot promise delivery on new orders until the second half of 1967, while many of their British and European competitors offer completion by late 1966. Quite a change!

These problems are expected to be overcome by the construction of mammoth new building docks. Mitsubishi Heavy Industries in June completed a dock capable of handling 170,000-dw ships in Nagasaki, and another for 150,000-ton ships was completed by Ishikawajima-Harima Heavy Industries in Yokohama last October. The government has shown no real concern. Officials point out that Japanese yards have twice as much tonnage under construction as Britain (278 ships of 3,429,170 tons as of June 30—about a million tons more than just six months ago) and that 38.6 per cent is destined for export. "What do the directors of the Japanese Shipbuilders' Association want?" a senior official of the transportation ministry asked, "Japan's share of the market is still almost half of the world's total."

SOVIET UNION

Aeroflot's Ambitions

ESTIMATES put the Russian share of world air traffic at about a quarter of the total, the Russians themselves are aiming at "almost" doubling the number of passengers carried by 1970. The figure given in Moscow last week was "at least 75 million passengers" and the First Deputy minister for civil aviation said that Aeroflot aimed to get all passenger traffic of the railways for journeys of 1,000 kilometres upwards. The United Nation's own aviation agency—to which the Soviet Union does not belong—estimates that Aeroflot probably carried 38 million passengers last year while countries outside China and the Soviet Union carried a total of 154 million. To get a more precise estimate of Aeroflot's size and ambitions, one would want to know also how far those passengers flew, and how many empty seats were carried, and this can only be estimated in the most rudimentary way.

Allowing for a fair measure of guesswork, Aeroflot's business was something under half the combined traffic of all the scheduled airlines of the United States, and if Aeroflot hits its 75 million passenger target by 1970, then it will be carrying nearly as much traffic, in total, as they are now. Growth in the past three years, according to the UN, has been at the rate of 20 per cent a year, which is a good deal higher than world average, but less than the 39 per cent of the three years before that. The Russians forecast a big expansion in air freight traffic too, without being specific about probable volume. A new freight tariff with reductions of up to 50 per cent for regular shippers guaranteeing 1,000 tons to the airline a year, has been generally interpreted outside Russia as meaning, since they bring air freight rates down to those charged by rail, that there was a good deal of excess air cargo capacity flying around empty. And the monster Antheus, with its 80 ton payload, and its soft landing undercarriage, will be available for air freighting to at present inaccessible parts of the north like Chukotka and Yakutia—or that's what the Russians say and, if correct, it gives an added incentive to develop air freight before this massive increase in capacity arrives. Otherwise someone's for the chop—there has been one management purge in Aeroflot already.

KEY INDICATORS

WORLD COMMODITY PRICES

The flurry caused by American development of a tin-free can died again fairly quickly, and **tin** prices have risen £50 over the week. The market now sees that a possible reduction of demand by a few thousand tons at a date still far ahead is really a relief when long-term supply prospects are tight. Tin has withstood the downward drift in most commodity prices since the euphoria of two years ago. **Copper** prices have also risen this week, despite shipments of cathodes expected from Australia this month, because of storm damage to Chilean ports and the United States maritime strike. **Soya bean** prices fell in view of the big American crop but **wheat** stayed firm after the news that Russia was coming into the market again in a big way. **Coffee** slid back a little, with the market perhaps realizing that the International Coffee Council's meeting had left a lot of questions unanswered. The basic cause for disagreement among producers is that Robusta growers (mainly African) are benefiting from the swift expansion of instant coffee, for which Robustas are suitable. Brazil's dominant position should allow it to play the rules of the price/quota system in such a way as to avoid an overall quota expansion. This is why there has been talk of the Ivory Coast withdrawing from the agreement and of Uganda selling direct in London and New York. Commodity schemes are never a bed of roses.

The all-items indicator **rose** by 0.1 points this week (to August 18th).

	Index 1958 = 100		Percentage change on*	
	Aug. 11	Aug. 18	One month ago	Twelve month ago
ALL ITEMS	102·6	102·7	+0·9	− 2·9
Food	97·2	96·7	−0·1	− 8·4
Fibres	100·0	100·3	+0·4	− 5·8
Metals	201·3	205·7	+6·3	+20·4

The Economist Commodity Price Indicator includes nineteen commodities weighted according to their relative shares of world trade in 1958.
** Changes relate to this week's figures, but these, except for the metal group, are provisional because quotations for tea and wool are not yet available beyond last week.*

GERMAN ECONOMY

Relief for the Bond Market?

THE west German authorities are now pinning their hopes for checking the rise of long-term interest rates on some sort of voluntary quota system for access to the capital market. Representatives of the central government, the Länder and the municipalities are to meet next Tuesday to discuss the matter. The Bundesbank blames indiscriminate borrowing by the Land (regional) governments and their subordinate local authorities for the fact that the yield on bonds has now risen to 7½ per cent, with prospects of a still further rise unless something is done. The central government itself has done little to check the rise in public spending which is understandable in an election year—and the Bundesbank is left with the feeling that it stands more or less alone against the inflationary tide.

Last week's ½ per cent rise in the official discount rate to 4 per cent was more of a readjustment to prevailing money market conditions than an attempt to lighten the credit squeeze. The squeeze is already considerable. In fact, the appearance of a basic balance of payments deficit and the restrictive effects of the American payments measures have squeezed the banks' liquidity harder than was expected earlier in the year. This is why the Bundesbank, on the day it raised the discount rate, also announced that it was postponing indefinitely half the reduction in the banks' rediscount ceiling which had been announced to take effect in October. But with demand still running at a very high rate and wages rising fairly rapidly, the Bundesbank sees no reason to deviate from its basically restrictive line.

SOVIET OIL

Asian Overtures

Vienna

THE Japanese are reported to have been dropping hints in Moscow that they would be ready to supply the Russians with large-diameter pipes in exchange for cheap Russian oil. A big increase in Soviet oil exports has been expected for a year and more since the finding of the new oilfield in the Tyumen district of Western Siberia. Plans exist for a pipeline to run from the oilfields via Irkutsk to Vladivostok, which would considerably reduce the cost of shipping oil to Japan.

The president of the Soviet state oil commission, Mr Nikolai Baibakov, said recently that Russia intends to catch up with United States oil production by the early 1970s. Last year the Americans produced about 400 million tons of crude, against the Soviet Union's 224 million. The Russians expect a rise of a further 20 million tons this year, and subsequent advances at a rate of between 35 and 40 million tons a year.

The Tyumen deposits are believed to be richer than both the present main oilfields, at Baku and east of the Volga, put together. In spite of the severe climate—the temperature at Tyumen ranges from −55° to +30 Centigrade—building of communications to the new field has already begun. In a few years' time an oil town will have grown up with 200,000 or 250,000 inhabitants, braving the rigours of Siberia for the greatness of mother Russia.

AID AND DEVELOPMENT

Israel Gathers the Pundits

Jerusalem

SOME of the leading experts on economic development have been airing their views in Israel recently at a conference on fiscal and monetary problems of developing states. Not all their views were popular. Harvard's Professor Galbraith, who specialises in unpopular views, took the line that lack of capital was not the main cause of underdevelopment. In Africa south of the Sahara and some other states like Haiti, the basic problem in his view was the lack of trained manpower for government, management and all stages of the production process, while law enforcement was unreliable and essential public services were usually absent. Under such conditions, massive capital transfers could do no good, and might even have a corrupting influence on society; while "sophisticated planning and experiments in public ownership are obviously to be discouraged."

Other states, including most of South and Central America and the Arab states, as well as Iran, had trained manpower and capital was often abundant but misused. Here, Galbraith felt, the problem was political, certain groups having seized power and distributed wealth not as a reward for economic services but to suit their own interests, thus liquidating economic incentives. The United States should cease to aid reactionary regimes and show it is "categorically on the side of liberal change." Large-scale capital aid, in Galbraith's opinion, was urgently needed only in developing countries like India and Pakistan, where trained manpower was relatively abundant and political power did not create "non-functional" income.

Most delegates rejected Professor Galbraith's thesis. Thus Mr Mwai Kibaki, Kenya's assistant minister for economic planning and development, who was one of the most impressive figures to emerge at the conference, argued convincingly that in many African states the government was the only force capable of supervising economic development, while "sophisticated planning" was needed to fix priorities and prevent wastage of the scarce resources available. The need for education and skilled manpower was obvious, but economic development should proceed concurrently. He stressed that education itself demanded heavy investments in the infra-structure.

Professor Harry Johnson of Chicago argued that inflation is not a necessary concomitant of economic growth; in developing countries it might actually impede it. There was no historical evidence proving a correlation between inflation and economic growth. Inflation does achieve a certain redistribution of income from holders of monetary balances to the monetary authorities. But the public usually reacts to this "inflationary tax" by reducing its real money holdings, shortening payment periods, and holding goods—all of which involve a waste of real resources and a reduction of real income. While the real resources collected by the "inflationary tax" can be used for investment, their contribution to economic growth is often outweighed by the waste referred to. On the other hand, Professor Johnson argued, inflationary financing leads to distorted allocation of resources, and to balance of payments difficulties and growing protectionism, diverting resources from export industries to high-cost import-substituting industries and thus reducing economic efficiency.

M. Mendès-France, the French radical leader, took up Mr Nicholas Kaldor's old plan for using certain homogenous, storable and non-perishable primary commodities as compulsory cover for currencies in addition to gold. This, he argued, would stabilise the prices of such commodities, helping developing states who are their main producers. An international institution would be charged with opening credits and, if necessary, issuing currency against goods from a selected list, which would act as a counterpart to the market and check excessive slumps. The institution would stockpile the goods and reissue them against currency of its own issue repaid to it. This plan, which would add all the weaknesses of commodity support schemes to the already daunting difficulties of world monetary management, has shown an astonishing capacity for survival. Majority opinion at the conference is reported to have been that M. Mendès-France's proposal was alike practical and desirable, though many felt that the developed countries would refuse to entertain it. They can say that again.

SYMBOL OF PROGRESS

DUNLOP

A world research structure is behind Dunlop products

Behind Dunlop's leadership in so many industrial fields is a long tradition of adventurous research. Conducted with increasing vigour through the years it is today organised on a world-wide scale.

Every manufacturing division of the Company has its own technical departments and Overseas Research Centres have been established in Malaya, N. America, Germany and Japan to be shortly followed by Ireland.

These units are closely linked with the Research Centre in Birmingham. There is a continual two-way flow of ideas and information, not only within the Dunlop Research complex but in many parts of the world as a result of increasing collaboration with important scientific and research organisations.

At the Central Research establishment in Birmingham many branches of science are represented and there are facilities for the development of prototype plant and trials of new processes including emulsion and solution polymerisation.

This Dunlop pilot plant is used for the experimental polymerisation of synthetic rubbers, plastics and resins.

IMPORTANT FIELDS OF DUNLOP RESEARCH AND DEVELOPMENT ARE:—

TYRE DEVELOPMENT
Many outstanding successes are being achieved contributing to safer modern vehicle transport which are made possible by excellent factory, laboratory and testing resources.

POLYMER CHEMISTRY
Dunlop Research is pioneering new rubber and plastics materials, examples of which are ethylene propylene terpolymer, synthetic gutta-percha and the new Thiamer rubbers.

MATERIALS RESEARCH
Materials Research into the vast range of rubbers, textiles, plastics and metals used by Dunlop points to the best combinations for each product.

ADVANCED ENGINEERING TECHNOLOGY
Research is being applied to new methods of production and to new design concepts in the full range of Dunlop products including those for aviation.

BUSINESS □ INVESTMENT

In Throgmorton Street's more than usually erratic August ding-dong, this has turned out to be pessimists' week. Following the fillip brought by the excellent July trade figures and the rightward swing in the public opinion polls, equity prices sagged in the first half of this week and then dipped sharply on Thursday on a perhaps over-hasty reading of the National Institute's Economic Review. *For while it is difficult to quarrel with the Institute's depressing forecast of economic prospects on the basis of present policy, the relevant market point is that the very awfulness of that prospect will itself almost certainly cause official policies to be changed. Gilt-edged if anything look more attractive than a week ago; the prospect for equities depends more on future policy decisions still unmade, but it is hard to believe that they are far from their low point during the present business cycle. But that is a back room view. In the market itself, the only bright spots in still quiet trading have been shipping and insurance shares.*

SHIPPING

On the Crest of a Wave

THE take-over bid by Ocean Steam Ship Company (with 67 ships) for the remaining capital of Liner Holdings (with 50 ships) comes at a time when shipping shares have been riding the crest of a wave created by steadily increasing freight rates and a firm freight market. Yet the share boom has been too indiscriminate. It is difficult to understand how investors stand to gain from buying shares in those shipping companies with little chance of benefiting from rising tramp freight rates—companies with passenger and cargo liners, or tramp shipping companies having most of their ships on long term charter and so are unable to take advantage of current freight rates. Shares of these shipping companies, such as P & O, have been rising—along with the rest—steadily since June.

The strength of the freight market has been further improved by the re-entry of Russia into the grain trade, although the full effect of last week's Canadian wheat deal has yet to be felt; and while the Indian government—long a stalwart customer of the grain trades—is not currently chartering ships, continuing Indian food shortages will call for further heavy grain imports in the not too distant future. In addition the Vietnam situation continues to buoy up the freight market—to the advantage of the shipowner, although few of them like to admit this publicly.

It is into this picture that the amalgamation of two big liner companies must be placed. Ocean Steam, which operates fast cargo liner services to the Far East, already owns 38% of the ordinary capital of Liner Holdings, which operates cargo liner services to South and West Africa. Ocean is offering one ordinary share plus 22s. 6d. for each Liner share—giving them a value of 72s. 3d. against 69s. 9d. in the market. The offer appears to value Liner Holdings a long way below its assets, which have book values of 124s. 3d. a share. The discount is some 41%, and has induced some commentators to advise shareholders against accepting the bid at this price. But this advice ignores two important factors.

The first is that Liner's profits (£1.3 million last year), are likely to be considerably less now. The ships of the Liner fleet have been unable to face stiff competition on the West African trade from Russian and Polish ships that have been undercutting conference freight rates. Secondly, the book value of the Liner fleet is clearly too high. Though the average age is some three years less than that of the Ocean fleet (and they have been depreciated more slowly) the trading value of some 16 small slow ships in the Liner fleet—capable of only 13 knots and less—must be considerably below their book value. Even though some of these ships were only built in the late 1950s, they will soon need replacement if the company is to compete on the West African trade against much faster and bigger ships in future. Ocean Steam, on the other hand, has been consistently at the front of the competitive field on the Far East run and an amalgamation between the managements of the two companies—who have always been on friendly terms—is clearly to the advantage of both of them, and should benefit the shareholders as well.

KEY INDICATORS

MOVEMENTS ON THE WORLD BOURSES

LONDON
Gloomy again.

NEW YORK
Buoyed by inflation hopes.

JAPAN
A firm week.

	INDICES*		Percentage change from:		
	Aug. 11 †	Aug. 18 †	A week ago	A month ago	A year ago
London	376·6	370·0	−1·8	+0·8	−13·3
New York	881·5	894·4	+1·5	+1·6	+ 6·1
France	89·4	90·1	+0·8	+5·3	− 9·6
Germany	97·0	96·3	−0·7	+1·6	−10·7
Holland	336·6	335·6	−0·3	+0·6	− 1·0
Canada	158·3	161·5	+2·0	+4·7	+ 4·2
Australia	318·1	323·3	+1·6	+1·8	−14·3
Japan	1,122·1	1,157·0	+3·1	+11·5	−10·2

* *For Bases and Stock Prices and Yields see pages 745 and 746.*
† *London, August 12th and 19th.*

UNIT TRUSTS

Timing and Mistiming

DESPITE the gloom that overhung the stock market in July, unit holders remained unflurried and net purchases of units actually rose slightly to £3.3 million. But trading volume, the sum of sales and repurchases, dropped from £6.9 million to just under £6.4 million; and repurchases by the managers dropped by 20%. It seems that unit holders are losing interest in selling rather than gaining interest in buying. There were no new trusts to tempt them and only three block offers, a reflection of the holiday season and a weak market.

Although August has been a more cheerful month the market has, not unexpectedly, remained quiet; in making a block offer of £300,000 of Unicorn Income trust units in these conditions Dillon Walker's timing can be questioned. The cult of the income trust began to wane some time ago after a period of overblown popularity, and more investors may now hope for a resumed chance of capital growth. Kleinwort, Benson has rather surprisingly also chosen the off-season to announce a new Channel

Islands trust. The aim, predictably, is to avoid liability to death duties; Kleinwort, Benson (Guernsey) will run the unit trust whose only asset will be shares in a Guernsey based investment trust (advised by M & G, the unit trust managers) so unit holders will own in law Guernsey, not British, assets and will not be liable to British death duties.

But the most significant current event in the unit trust world is the launching, probably in October, of three unit trusts by the Public Trustee. Some six years after the recommendations of the Pearson Committee, the Trustee has at last been allowed to invest money "in court" (money held in trust by the High Court, County Courts and the Courts of Protection) in equities instead of exclusively in gilt-edged stock. This was not covered by the Trustee Act of 1961. Prompt enactment of the Pearson Committee's recommendations would have allowed the Trustee's office, which already had plenty of experience of equity investment, to start the trusts on the 1959-61 bull market. But the autumn this year, as it happens, should not be a bad time to start; even if the market is unlikely to rise very far it is unlikely to fall very far either, and dealing should also be easier than in the present summer quiet.

INSURANCE

Lloyd's Under Pressure

ALTHOUGH damage in the Los Angeles upheaval may have amounted to $200 million, there is some doubt about insurers' liability because policies normally include riot risks only on request and payment of an additional premium. The charge for riot insurance under a fire policy varies from a nominal 6d. per cent of the sum insured in Britain to ten times as much in potential trouble spots. If there was extensive riot cover in Los Angeles British insurers—who between them hold about 8 per cent of the American market—may be faced with claims heavy enough to hurt after nine lean years in America. But it is unlikely that the Watts district of Los Angeles would produce much of the sort of fire business that British insurers would normally undertake. In the poorer parts of American cities buildings are quite commonly uninsured against fire. And the sort of risks that would go to Lloyd's would usually be even more specialised (film stars' homes for example). Moreover California is one of the states in which Lloyd's, as a foreign insurer, may write only such business as American domestic insurers reject. What does now seem fairly certain is that neither British nor American insurers will try to escape liability on grounds of "insurrection," even though the State Adjutant General has described the disturbances as such. Insurrection damage, unlike riot damage, is normally excluded specifically from the cover.

Lloyd's has just published the results of the 1962 account, which was closed at the end of last year. Margins have contracted further, from 7.1 per cent. of premiums for the 1961 account to 5 per cent; profits—which are subject to further charges, mainly the remuneration and profit commission of the experts who underwrite risks for the syndicates of "names"—were down from £24½ million to £17½ million. Non-marine business ran into the red for the first time since Lloyd's figures were first published. It was in 1962 that British insurance companies' fire accounts swung sharply from surplus to deficit. Lloyd's "all other insurance business," which is mainly fire and accident insurance, showed a loss in the 1962 account of £1¼ million from premiums of £194 million. Once more Lloyd's results are better than those of the insurance companies.

Surpluses in Lloyd's 1963 account—the year in which the insurance companies' fortunes reached their nadir—seem certain to be materially smaller than those just reported. But the preliminary figures for the 1964 account suggest that profits should recover, although marine insurance is unlikely to do so well as in recent years.

Life assurance is a small but profitable sideline at Lloyd's. Premiums rose from £75,000 for the 1958 account to £187,000 for the 1962 account; the first year's premiums in the 1964 account were £248,000. Profitability in the life account has been consistently higher than in any other class of business. Scope is, however, limited because only short term policies are issued. Lifeguard Assurance, the new company formed by some brokers and underwriters for long-term life business, has got off to a good start with the respectable total of £5.1 million sums assured in the first twelve months' trading at premiums of £309,000 together with annuity purchase money of £2.3 million.

Companies' Mixed Fortunes

FOR British composite insurance companies no miracles were expected in the American market this year. If anywhere it is the British market where the turnround is expected. In the first six months of this year American fire losses were about 4% above 1964 figures. Accordingly the Northern and Employers (which had a bad year in 1964) and the Commercial Union (which has had three bad years, each with underwriting losses of over $8 million) have done well to reduce their underwriting losses in the first six months by 75% (for the Northern and Employers) and by about one third (for the Commercial Union). What happened to the Royal, which chose to release its American results through the Wall Street Journal, is unclear. The Royal, whose American business is over twice as large as any other British company's, has previously done rather better than the others. This time the underwriting loss has risen from $4 million to $13 million, although the company has insisted that this deterioration was not a reliable indication of trend. One would hope not.

GEORGE KENT

Technology with Profits

THE promise of computers and process control has been a lure to investors for some time, but market conditions have prevented them from reaping the capital profits they expected; but if, as Mr Rodney Kent, chairman of George Kent, maintains, "the long heralded impact of computers in the process control field at last seems to be gathering momentum," they may not have to wait much longer. George Kent's profit for the year to April 3rd at £1.1 million is up nearly 35%, after allowing for the addition of Evershed and Vignoles to the group, and the dividend is raised from the equivalent of 8.4% to 10%. The cover for the dividend is nearly three times, although there was an exceptionally large tax credit for overprovision the previous year.

The company competes with Ferranti and Elliott-Automation in process control but (by balance sheet values) is only a third of Elliott's size. The shares at 21s. yield 4.8% (against Elliott's 4% at 12s. 9d. on a less well covered dividend) and do not look overvalued. The company is admittedly facing stiff competition and profit margins are under pressure. But a vigorous company can do surprisingly well in these conditions. Last year Evershed and Vignoles was bought, mainly against scrip, and the holding in Cam Gears was sold to the other holder for £3 million in cash; after paying a tax free 2s. 6d. a share from the proceeds the remaining £2.3 million was used to repay overdrafts, which were just over £2 million in April. Cash flow last year was nearly £750,000 and after the promised reduction of stocks on the completion of power station contracts the amount of cash available this year, including the repayment of the loan to Cam Gears, should total over £1 million. After the sale of this company, loan capital represents only 13% of the net assets employed. In sharp contrast to Elliott, then, George Kent has plenty of cash and room for further gearing.

VICKERS/R. W. CRABTREE

All Credit to Vickers

VICKERS'S £7 million cash bid for the printing machinery company, R. W. Crabtree, is a sensible move, which should be entirely successful. The Crabtree directors, who own a third of the equity, are going to accept. This is not surprising; Vickers's bid price is 55s. against the pre-bid market price of 44s. and a year's high of 56s. But Crabtree's net. profit for the year ending 31st December, 1964, was only marginally up at £358,000 and the company was having some difficulty in coping with its high level of production. Order books provide work until 1968 and the spare capacity

within the Vickers group can obviously be put to good use in shortening delivery dates.

Vickers has little cash to spare. At December 31st last, net overdrafts were £26 million, although since then there has been "an improvement in the cash position." But this cannot have been very marked. Aircraft sales by British Aircraft Corporation are continuing and development expenditure must be falling, but since much of the money came from the Government anyway Vickers has not all that much to gain from the run down of BAC's business, although in due course the Government will pay compensation for the TSR 2 cancellation. Although last year cash flow was some £5½ million, the group must still be a substantial short-term debtor even before the payment for Crabtree. Despite the credit squeeze, Vickers has evidently been able to buy on credit. But cash replenishments should be at hand. At the last balance sheet date Crabtree had net cash of £373,000 (the figure has been declining since the peak of £1.3 million in 1960) and its cash flow was £400,000. And as Vickers uses its capacity to reduce the Crabtree order book the cash inflow will increase, the more sharply if costs can be held down by higher capacity utilisation. Furthermore, in time it might well be possible to sell surplus assets. But—and this is always a big but with Vickers—the benefits of the takeover could all too easily disappear as other members of the amorphous group run into trouble and the share's 8.9% yield at 22s. 3d. on a half-covered dividend obviously discounts this. Vickers must still be hoping that Mr Wilson does press on with steel nationalisation: with cash for its holding in English Steel Corporation the prospects of the company and its shares would be greatly improved.

In Brief . . .

Wine Bid

It now seems fairly certain that in the absence of a rival bid, **Showerings Vine Products & Whiteways** will not raise its bid (which closes on the 27th), of 14s. cash plus two of its own shares for every three shares in **Harveys of Bristol**. Showerings' reply to the Harveys' defence consists of y more exhortation and comment, but r change in the bid terms. The Harvey defence contained no firm forecasts (exce of a higher dividend in the current year No forecasts are infinitely more desirabl than forecasts that go wrong, of which the have been some examples lately. What no remains to be seen is whether the solidarit of the Harveys' extended family (which ha about a third of the equity) will be mair tained.

★

On Course Again

Shareholders in **Headquarter and Genera Supplies** will be relieved to learn that pro fits for the current year to March 31, 1966 will not be disappointing despite the deliv eries bottleneck and ban on advertising a the beginning of 1965. The managemen consultants were dismissed soon after th appointment of the new chairman, Mr. J Harrison, and a thorough reorganisation ha got sales flowing again, and the compan has not had to call on its bankers for all th cash promised.

POTTERY COMPANIES

Fine China is good, electronics is better

WRINGING profits from fine china is no mean achievement these days. **Wedgwood** seems to have the knack; it has just announced a one third rise to £228,000 in trading profit for the six months to June. **Royal Worcester** and **Doulton** make profits, too—but not especially from fine china. Royal Worcester is now primarily an electronics company. For the first time this year the report and accounts give the split between electronics and ceramics; Welwyn Electric—the electronics subsidiary, accounted for 58% of the £6.2 million group sales but 74% of the trading profit. Welwyn's staple product is resistors. But now it is delving into such futuristic complexities as thin film integrated circuits. The market possibilities are vast; but competition is hot—particularly with American companies casting greedy eyes this way.

Doulton's most profitable line is probably its high tension insulators. Only a handful of companies have the resources and the technical skill to build these intricate mammoths. And Doulton is already reaping the profits from the present spate of Central Electricity Generating Board contracts for 400 kv cables. Last year profits before tax were nearly double the previous year, but there is no breakdown between its divisions.

But whatever happens to the fortunes of the fine china trade, the names Royal Worcester and Royal Doulton will survive—flying along on the coat-tails of their parent companies' wider and more profitable interests. Crown Derby had no such protection; now it shelters under the wing of Lord Cowdray's **Allied English Potteries** (formerly the Lawley group). Shareholders of **Mintons**—another fine china specialist—would probably be suspicious if they received a dividend of more than 2%. Profits after tax drift along seldom exceeding £20,000. In 1963 they jumped to a record £27,700; but last year they fell back to half that.

For all the difficulty in making much profit from fine china, sales have been booming—mainly in export markets. The home market yields little joy. But Wedgwood reckons on an 8% per year increase in home demand, far more than the industry average, and presently is hard pushed to satisfy British customers, who take second place to foreign buyers. Roughly two-thirds of all fine china is exported—mainly to America. The proportion of everyday china exported is slightly less. But competition is intensifying—mainly from the Japanese who are going for the cheap end of the market. For sanitary ware and tile makers, home demand last year was virtually insatiable with the spurt of housebuilding. But this year they are already feeling the pinch as builders are slowed down by credit restrictions.

The major problem hitting the potteries now is the shortage of labour. This hits the fine china manufacturers particularly hard—labour content is over half the total production cost of top quality ware. But it also hits the makers of everyday china: the average labour content is under two-fifths. But the target is gradually to cut this by half again. "Gradually" is the operative word. Some companies went through an agonisingly profitless time while they installed electric kilns, conveyor belts, spray glazing instead of hand dipping, and other new equipment.

Many companies who did not modernise fast enough have been forced out of business or have been taken over—thankfully. There are still small manufacturers just managing to keep going. But success in this business goes with selling ability and for many companies the great truths about marketing techniques have still to dawn.

	Sales last accounting year (£'000s)	Last Trading Profits £	% Growth in profit over 5 years	Price	Earnings Yield	Divs. Yield
Wedgwood	—	393,381	50·6	—	—	—
Royal Worcester...	6,200	851,323	37·9	11s 6d	14·2	7·0
Doulton	8,187	1,224,510	78·0	29s 0d	12·3	4·8
Allied English.....	—	1,392,384	107·7	12s 7½d	7·1	4·3
Mintons	—	56,493	—9·7	17s 6d	9·6	2·3

GEORGE KENT GROUP

Sales and profits up as forecast
Healthy current outlook

Improved sales and profits, and greatly expanded activities, confirm in good measure last year's forecast by the Chairman, Mr. Rodney G. Kent.

In his review for the trading year to 3rd April, 1965, the Chairman reports group profits up 62% on last year. With the present delicate economic climate fully in mind, the Directors are recommending a final dividend of 7½%, making 10% for the year, against 8.4% last year. The following are highlights from the Chairman's report.

Exports. The export drive (33% of sales) continued, and the broad base of overseas activities was further extended.

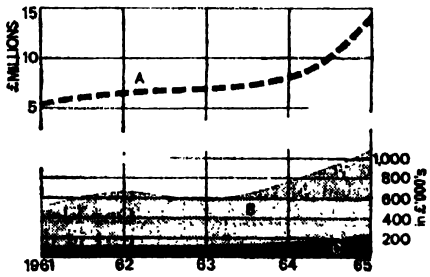
Computer. Great benefits have already accrued from a new computer used, among other things, for progressing complex contracts, sales analysis, budgetary control and payroll functions.

R & D. Much Research and Development effort has been concentrated on new transducers for the measurement of flow, pressure, temperature and other variables in anticipation of the developing interest in computer-controlled processes in many industries.

Prospects. Increasingly competitive products, outstandingly stable markets and a healthy intake of new orders all point to continued improvements in the Group's performance.

Policy. The Company's future role is as a close-knit group, supplying the entire range of measuring, analysing, actuating and central control equipment to industry with the aim of total process control competency.

	1964 5 £'000	1963 4 £'000
Sales	13,696	7,830
Trading Profit	1,255	761
Profit before Taxation	1,150	750
Profits Retained	360	173
Dividends	206	151
Ordinary Capital	8,574	6,366



A Group sales;
B Group profit before tax;
C Dividends.

Process-Control Instrumentation. The Instrument Division of the Parent Company and the Subsidiary Companies within the Group provide design, engineering, installation and commissioning services for large and small process-control instrumentation schemes on a world-wide basis.

Industries served include: power generation, water supply and treatment, heating and ventilating, iron and steel production, gas making and distribution, chemical, oil, cement and food production.

Products include: solid-state electronic converters, amplifiers, transmitters and controllers; computer interface equipment; electronic, electrical, mechanical and pneumatic indicating, recording and controlling instruments; pneumatic and electric actuators; instrument panels.

Meters and principal other products. These include: domestic and industrial water and oil meters; petrol meters; aircraft fuel meters; electrical measuring instruments; f.h.p. motors; specialized optical equipment; Clear-View Screens.

THE KENT GROUP

34 operating Companies, 7,000 Employees.

United Kingdom

GEORGE KENT LIMITED

Subsidiary Companies

Ultromet Limited
Evershed & Vignoles Limited
Evershed Power-Optics Limited
George Kent (Petrochemical) Limited
George Kent (Stroud) Limited
Kent-Evershed Limited
Leeds Meter Company Limited
Record Electrical Company Limited

Associated Companies

B.K.B. Electric Motors Limited
Thos. Walker & Company Limited

Overseas

Subsidiary Companies

Berg and Burg, N.V. – Amsterdam
Davies-Kent Pty. Limited Sydney
Davies-Kent (N.S.W.) Pty. Limited - Sydney
Davies Shephard Pty Limited Melbourne
Dobbie Dico Meter Company Limited – Adelaide
Evershed & Vignoles (Canada) Limited
Evershed-France S.A.
G. Kent (Canada) Limited
George Kent (Australia) Pty Limited
George Kent (Europe) Limited – Brussels
George Kent (Malaysia) Limited
George Kent (South Africa) Pty. Limited
George Kent (Thailand) Limited
George Kent A.G. – Vaduz
Kent-Delta Stampings Limited Singapore
Kent-International A.G. – Vaduz
Kent-Tieghi, S.p.A. – Milan

Associated Companies

Evershed-Enraf N.V. – Holland
Evershed-Enraf, G.m.b.H. - Germany
Kent-Leeds (Trinidad) Limited
Leeds Meter Manufacturing Company Limited India
Master-Kent Limited – Jamaica
Medidores Kent Colombiana Limited – Colombia

KENT

Copies of the accounts are obtainable from:

GEORGE KENT LIMITED
LUTON BEDFORDSHIRE ENGLAND

AER LINGUS
IRISH INTERNATIONAL AIRLINES

Last year, over a million passengers. Last year, over a million pounds profit.

The year ended 31 March 1965 was a good year—the overall operating profit of Aer Lingus—Irish International Airlines was almost £1¼m.—£76,000 up on 1963/64.

Combined revenue increased by over £2.4m. to £15.4m. Aer Lingus (European, cross-Channel and Domestic routes) operating profit, after providing £575,000 for depreciation was £51,722—an indication of the difficulty of earning substantial profits on what is essentially a shorthaul route network.

Aerlinte (transatlantic) operating profit showed a 48% increase to £1.2m.

And last year was the first year in which we carried over one million passengers. Aer Lingus accounted for 992,723, and Aerlinte carried 127,795—an increase of 9% and 44% respectively over the previous year. The passenger load factor on the transatlantic route rose from 65% to 72%, which compares with an industry average of 57%.

Transatlantic cargo, at 2,404 short tons, was just over twice the figure for the previous year. The increase was made possible by the introduction of the Boeing 707-320.

OUR BOARD CHAIRMAN, MR. PATRICK LYNCH, HAD THIS TO SAY:

In real terms the cost of the services provided for the public has been progressively reduced. The average fare earned by Aer Lingus on the Dublin/London route in 1954 was £6. 2. 0. In 1964 this fare had increased to £7. 1. 0. which was the equivalent of £5. 0. 7. in terms of 1954 money values. The reductions in fares on the transatlantic route were even more striking.

. . . In Ireland, the Government has consistently shown its awareness of the roles and potentiality of both Aer Lingus and Aerlinte, from a national viewpoint, and in this respect the Boards of both Companies have always regarded the airlines as instruments of national policy. The Air Companies are not only an industry serving trade and tourism; they are an important part of the tourist industry itself. Of a total revenue of over £15 million earned by the two Companies last year the major share was earned abroad. These air fares form a significant part of the country's receipts from tourism. Aerlinte and Aer Lingus are, therefore, an important export industry.

. . . These considerations point to the need for maintaining the commercial strength of the Irish Air Companies. They have shown that they can face international competition.

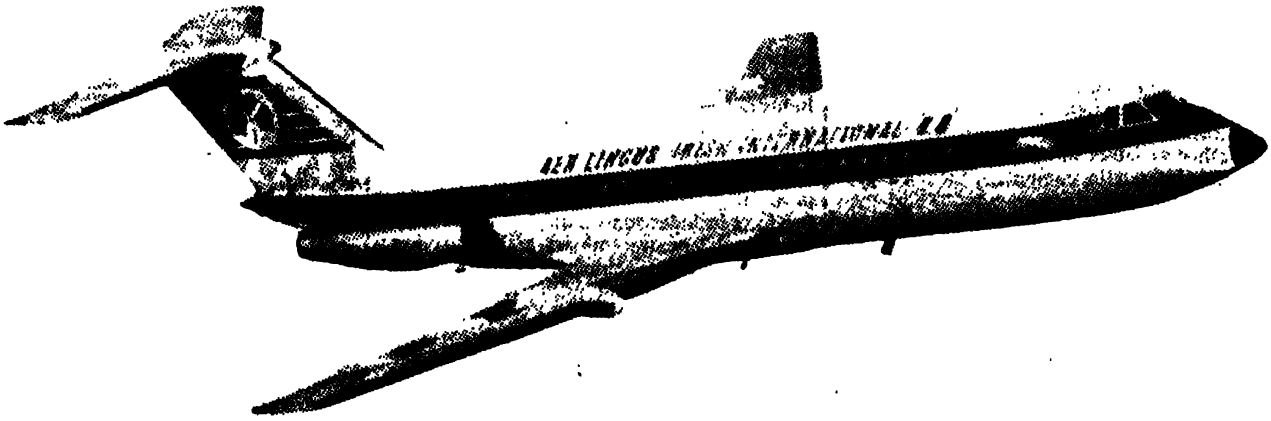
THE FUTURE:

Last year Aer Lingus was completing plans for the introduction of its fleet of BAC One-Eleven jets for use on European routes. Unfortunately, delivery of the aircraft was delayed and the Company chartered additional capacity in order to handle the traffic. When the fleet is completed with the delivery of the fourth BAC One-Eleven this new shorthaul jet will play a significant part in the development of the Company's Continental business.

In April this year Aerlinte got its second Boeing 320 and a third one is expected by April 1966.

Also arrangements were made for the sale of the Aer Lingus Friendship fleet and the purchase of nine Viscount 800s from K.L.M.

These developments in the Companies' fleet will mean a big increase in capacity for both passenger and cargo operation. It looks certain that 1965/66 will be a record year for traffic on the Transatlantic, cross-Channel and European routes of the airline.



STET

SOCIETÀ FINANZIARIA TELEFONICA - per Azioni

Registered Office: Turin Head Office: Rome

Share Capital: Lit. 160,000,000,000

EXTRACTS FROM ANNUAL REPORT FOR 1964

The Annual General Meeting of STET (Società Finanziaria Telefonica of the IRI Group) was held in Turin on July 26th. The shareholders were informed of the merger into SIP (Società Italiana per l'Esercizio Telefonico) of the five former Concessionary Companies and of the former electricity companies, Vizzola, PCE and Pinerolese. 53 per cent of the new capital of the SIP Group, amounting to Lit. 337,475,000,000 is held by STET. An outstanding feature of the financial year was the acquisition by STET of holdings in the portfolio of the old SIP group; in all, these so-called minority interests (excluding that in SIP) represent a book value of over Lit.30,000m., of itself, sufficient to give the IRI finance company national status.

A statement was also made concerning the annual general meetings of the Sarca-Molveno, Italtel and Italcable companies, which had considered the merger of the first two with Italcable. On completion of this operation, STET will hold approximately 60 per cent of the Italcable capital. The Company will also have full control of Telespazio, a company operating in the field of telecommunications systems using communications satellites.

Besides controlling SIP, ITALCABLE and TELESPAZIO, STET has control of SOCIETA ITALIANA TELECOMUNICAZIONI SIEMENS, CSELT (Centro Studi e Laboratori Telecomunicazioni) and, again in the field of telecommunications, exercises indirect control of ATES—Electronic Components—of Catania.

Other majority holdings not directly connected with the telecommunications sector are as follows: ILTE—Industria Libraria Tipografica Editrice, SEAT — Società Elenchi Ufficiali degli Abbonati al Telefono, FONITCETRA, SETA—Società Esercizi Telefonici Ausiliari, SOCIETÀ IDROELETTRICA SARCA MOLVENO—SISM, TRENTINA di ELETTRICITÀ, SAIAT — Società Attività Immobiliari Ausiliarie Telefoniche.

In addition, the IRI holding company has minority interests in RAI—Radio Televisione Italiana, SENN — Società Elettronucleare Nazionale, GEMINA—Geomineraria Nazionale, EMSA—Società Immobiliare, CONIEL—Compagnie Nazionale Imprese Elettriche, SIEO—Imprese Elettriche d'Oltremare, SIRTI—Società Italiana Reti Telefoniche Internazionali.

The report goes on to describe the events of the 1964 financial year in relation to SIP and other associated companies and also gives full details of the history and development of companies in which holdings had been acquired more recently.

At the end of 1964, the STET Group employed 52,122 people.

The Ordinary General Meeting approved the Balance Sheet for the financial year which closed with a net profit of Lit.12,751m. and an unchanged 7.5 per cent dividend; the Extraordinary General Meeting then approved the amendment of articles 3, 11, 16, 19 and 21 of the Company Statutes, made necessary by the desire to bring these articles into line with the functions of the STET Group following the acquisition of the new holdings and the reorganisation of the Group as a whole.

The meeting of the Board of Directors held immediately after the Ordinary and Extraordinary Meetings regretfully considered the request by Dott. Ing. Giulio Curà to be relieved of his duties as Managing Director and formally expressed to him the Board's thanks and its appreciation of his long years of outstanding service both to the companies of the Group and to STET. The Board then appointed the Hon Avv. Arrigo Paganelli as Chairman, Dott. Ing. Giulio Curà and Prof. Avv. Eugenio Minoli as Vice Chairmen, and Dott. Carlo Cerutti as General Manager and Member of the Board.

EIU Quarterly Economic Review

URUGUAY AND PARAGUAY

While the Paraguayan economy continues its mild boom, Uruguay's chances of refinancing its mounting foreign debts have not been improved by internal inflationary measures. The Review relates the present crisis to the need for widespread reforms—political as well as economic.

Details and subscription rates from:

THE ECONOMIST INTELLIGENCE UNIT

Spencer House
27 St. James's Place London SW1
HYDe Park 6711 ext 27

60 East 42nd Street New York
NY 10017 Murray Hill 7-6850

L. Vertesi,
CENCI-Uruguay Misiones 1361
Montevideo 9.53.56

THE TUNNEL PORTLAND CEMENT COMPANY LIMITED

Year ended 31st March 1965

	1965	1964
Group Net Profits less Minority Interests	£1,637,351	£1,709,228
Dividends paid or recommended	£704,457	£725,864
Applied in writing off discount and expenses of Debenture Issue	—	£68,334
Retained	£932,894	£915,030
Dividends on 10/- 'A' Ordinary Shares and 10/- Units of 'B' Ordinary Stock	1/11d	1/11d
Special distribution not subject to tax	2½%	2½%

The Annual General Meeting will be held on the 9th September 1965

Copies of the Annual Report and Accounts may be obtained from The Registrar at 105 Piccadilly, London W 1

ASSAM FRONTIER TEA

The Annual General Meeting of The Assam Frontier Tea Company Limited will be held on September 9th in London.

The following is an extract from the circulated review of the Chairman, **Sir Charles Miles, OBE**:

Following the Offer made on November 6, 1964, the Company has now acquired the whole of the issued Capital of The Budla Beta Tea Company, Limited which became a wholly owned Subsidiary with effect from January 1, 1964. Accordingly, the Accounts show the results of the first twelve months' trading as a group.

The group profit before Taxation, for the year ended December 31, 1964 is £233,384. Taxation absorbs £131,167, and the profit after tax stands at £102,217.

The 1964 Season's North India crop was the largest ever produced and in the case of our group, the total crop was nearly 1,500,000 lbs. in excess of that harvested by The Assam Frontier and Budla Beta Tea Companies combined in the previous year.

The Board recommend a dividend of 15 per cent on the Ordinary Stock, which is in line with the forecast.

With regard to the current year, the group crop to the end of July is 6,004,240 lbs., an increase of 357,520 lbs. when compared with the same period last year. We are continuing to manufacture orthodox teas during the early months of the season. Reports on this early manufacture have been satisfactory.

COLVERN LIMITED

A YEAR OF SATISFACTORY PROGRESS

The Tenth Annual General Meeting of Colvern Limited was held on August 17th in London, **Mr L. A. Reddall** (the Chairman) presiding.

The following is an extract from his statement which had been circulated with the report and accounts for the year ended March 31, 1965:

I indicated in my Interim Report in January last that turnover and profits were proceeding at a satisfactorily higher level compared with the previous year. This trend continued throughout the year and I am pleased to report that output reached a new high level.

With an increased demand, coupled with production economies, we have been able to offset some of the ever rising costs in labour and raw materials that reduce profit margins, with the result that Pre-Tax Profits at £269,842 are approximately 14 per cent higher than the £236,906 last year.

After Taxation, which absorbs £132,237, the Profit remaining amounts to £137,605, and on this result your Directors recommend a Final Dividend of 15 per cent on the Ordinary Share Capital, making a total for the year of 22½ per cent (compared with the equivalent of 22½ per cent last year after adjustment for the Capital increase of August, 1964).

FUTURE PROSPECTS

National circumstances, particularly uncertainties with regard to Taxation, make it even more difficult than usual to forecast results for the current year.

The working week in the Engineering Industry which was reduced to 41 hours in December, 1964, was further reduced to 40 hours on July 5, 1965, with a consequent increase in labour costs. This will also have an effect on material prices, and whilst some of these increased costs may be recovered by price adjustments, the major part will have to be absorbed if we are to retain the competitive position we now enjoy particularly in Export markets.

Nevertheless, Orders continue at satisfactory levels and on reviewing the first three months of the year your Directors are quietly confident that your Company will continue to progress with the continued expansion of the Electronics Industry.

The report and accounts were adopted.

CASSIAR ASBESTOS CORPORATION LIMITED

Synopsis of The Report for the Year 1964

Subsequent to the end of the fiscal year, the authorised capital of the company was increased from 4 million shares to 5 million shares without nominal or par value and an additional 815,000 shares were issued. The capital issued and outstanding now stands at 4,775,000 shares. The sale of 815,000 shares to substantial customers has provided the company with $9,740,000, which will be used to bring the Clinton Creek property into production and to provide additional harbour and warehousing facilities at North Vancouver.

During 1964 there was a definite firming of the market for asbestos fibre, and late in the year it became evident that a rapid growth in the demand for the higher quality asbestos cement fibres was imminent. Steps were taken to interest major customers in the Clinton Creek mine as an important source of their new asbestos requirements, which resulted in the financing arrangements set out above.

A preliminary estimate of the ore outlined by the exploration and development work at the Clinton property during 1964 was 12,300,000 tons, having an approximate value of $12.30 per ton of ore. Drilling during the current year indicates that this estimate may be doubled by the current year's programme. Design and engineering of the plant is under way and construction is expected to commence early in 1966.

Forecasts for the Cassiar mine indicate that profits will be sufficient to maintain the current dividend on the increased capitalisation.

CONDENSED BALANCE SHEET

Assets and Liabilities, December 31, 1964

Net working capital	$3,497,143
Territorial Supply Company Limited	225,000
Plant and Equipment	15,827,789
Mining Claims and Properties	2,590,712
Deferred development	7,693,810
Total	$29,834,454
Deduct—Purchase contract payable	300,000
—Deferred taxes	4,490,000
—Accumulated depreciation	7,434,592
Capital and surplus	$17,609,862
Shares of capital stock issued at end of period	3,960,000

ST. MARTINS PROPERTY CORPORATION LIMITED

Extracts from Mr J. B. Andrews' review with the Accounts for the year ended March 31, 1965.

PROFIT AND DIVIDENDS

Development programme continues to expand. Gross Rent and Service charges increased from £1,656,675 to £2,795,600 during 1965 and now exceed £3m. Profit after taxation was £736,515 compared with £494,213. Dividend of 18 per cent for year (16 per cent). £147,775 added to General Reserve and carry forward increased by £52,880.

CAPITAL CHANGES

Issued Share Capital now £5,780,812 compared with £4,310,663 due mainly to acquisition of Charterbridge Corporation Limited. Capital Reserves increased by £8,683,544 to £18,635,807 as a result of share premiums on new capital and revaluation of properties.

PROPERTY INVESTMENTS

Total holdings including development projects at cost increased by £24,732,211 to £53,863,397 during the year.

DEVELOPMENT PROGRAMME

After providing for new taxation, yields from new developments will be lower but with careful judgement the Company will continue to play a profitable part in the modernisation of our towns and cities with benefit to shareholders and the community. The Company, working in close co-operation with a number of Local Authorities, has established a reputation which should ensure the continuance of useful work in this field.

PROSPECTS

With Corporation Tax at 35/40 per cent it may be expected that a dividend of 18 per cent will be maintained in 1966/67 subject to a possible shortfall which is unlikely to prove significant. Thereafter a modest growth in distributable profits may be expected from year to year.

DIRECTORS

Mr J. E. Lloyd, FCA was elected Deputy Chairman and Mr T. L. Grimley was co-opted to the Board with appointment as Assistant Managing Director.

APPOINTMENTS for further announcements see pages 738, 739, 740 and 741

CANADA

ECONOMIC ANALYST

Applications are invited for the position of Economic Analyst now vacant in our Montreal Head Office. This is a most attractive opportunity for a graduate economist to participate in long-range forecasting of general economic conditions and of the economic environment related to company operations and planning.

Candidates should hold an honours degree in economics, have a good knowledge of macro-economics, as well as related statistical methods and a firm background in mathematics. Preference will be given to candidates with at least three years' business experience.

Chemcel (1963) Limited is a major chemical man-made fibre and textile manufacturing concern with sales in 1965 of approximately one hundred million dollars. The company offers excellent conditions of employment, generous relocation assistance to Montreal and a starting salary fully commensurate with qualifications.

Please reply by airmail giving details of education and experience together with personal particulars. Your enquiry will be kept in confidence and will be answered. Interviews for suitable candidates will take place at London offices of The Canadian Immigration Services from September 16 to 20.

Chemcel (1963) Limited
Department A, 1155 Dorchester Blvd W.
Montreal, Quebec, Canada.

'NESTLÉ'

require

YOUNG ECONOMISTS

in their Planning Department to assist in the formulation of the Company's plans and objectives. There are two vacancies in this department, which is concerned with the collation and analysis of economic and statistical data and advice to management on developments:

1. **PLANNING SPECIALIST.** This appointment is suitable for a graduate, preferably in economics, who has already acquired two or three years' practical experience in business. He will work as part of a team in providing planning advice and assistance to the operating divisions of the Company and in evaluating plans against objectives. An important task will be the analysis of the problems the Company will face in the future. (Ref. 65/396)

2. **PLANNING ASSISTANT** who will be primarily concerned with the analysis and projection of basic information extending over a wide range of economic and marketing matters. The post would suit a recently qualified graduate in economics and/or statistics, or a man who has gained industrial experience in forecasting and business control activity. (Ref. 65/395)

Applications stating age, qualifications and experience, quoting the appropriate reference number, should be sent to:

The Personnel Officer,
The Nestlé Co. Ltd.,
St. George's House,
Croydon, Surrey.

VICTORIA INSTITUTE OF COLLEGES (AUSTRALIA)

Position of Vice President

THE VICTORIA INSTITUTE OF COLLEGES was recently established under legislation by the Government of the State of Victoria. The Interim Council of the Institute is now inviting applications for the post of Vice President at a salary not less than £6,000 (Australian) per annum, the actual salary depending on the qualifications and experience of the successful applicant and subject to discussion, along with other conditions such as superannuation, transport, leave and the like.

The Interim Council will be looking to appoint to this post a person with academic qualifications, administrative experience, drive and energy to carry forward this important development in education, and a capacity to maintain cordial relations with the many people with whom the Vice President will come in active contact. Applicants need not necessarily have held an academic position.

The Institute itself will not be a teaching institution but, in accordance with the State Legislation, may admit to membership as an affiliated college any institution offering tertiary education, other than the Universities of Victoria. The objects of the Institute are to foster the development and improvement in its affiliated colleges of tertiary education in technical, commercial and other fields of learning, including the liberal arts and humanities.

The Institute is also responsible for a number of other functions related to the general development of tertiary education, the development and co-ordination of activities and the financial requirements of its affiliated colleges.

The Institute is empowered to award degrees, diplomas and other awards to students of affiliated colleges who have attained the required standards in courses approved by the Institute. Any degree awarded will only be for courses of study comparable in standard to that required for the award of a degree in a University.

The Institute will be governed by a Council of 28 members, assisted by a permanent secretariat comprising a Vice President, a Secretary and other staff. The Vice President will be the Chief Executive of the Institute in a capacity somewhat similar to that of a Vice Chancellor of a University. In addition to conducting the affairs of the Institute, the Vice President will also be chairman of the Board of Studies, which will make to Council recommendations in regard to instruction, studies, examinations, research and admission to degrees, diplomas and other awards. Applications for a Secretary and other staff members are currently being sought in Australia.

Further information, including a copy of the Victoria Institute of Colleges Act, may be obtained from Mr. F. Barnes, Suite 11, 474 St. Kilda Road, Melbourne, Australia (Telephone: 26-3308). The Chairman of the Interim Council (Mr. W. H. Connolly, C.B.E.) will be in London for the second half of September, and may be contacted through the office of the Agent-General for Victoria, Victoria House, Melbourne Place, The Strand, London, W.C.2 (Telephone: Temple Bar 2656).

Applications should be accompanied by a recent photograph and should give full name, date of birth, marital state, qualifications, experience, publications, previous appointments and present position, and names and addresses of three referees. They should be forwarded before October 16, 1965, to:

THE CHAIRMAN
INTERIM COUNCIL
VICTORIA INSTITUTE OF COLLEGES
C/o STATE ELECTRICITY COMMISSION OF VICTORIA
22 WILLIAM STREET, MELBOURNE, AUSTRALIA

Marketing Course Director

The Institute of Marketing require a Course Director for the College of Marketing in London, to organise and direct programmes of courses and seminars covering the entire span of marketing. This is an excellent opportunity for a young successful marketing executive to make a useful contribution to the rapidly expanding field of business studies. It also provides an opportunity to contribute through research to marketing knowledge.

Applicants should possess a University degree (preferably in the social sciences) and have held a responsible position in marketing management. A post-graduate diploma and/or membership of a professional institute would be an advantage. Business experience in more than one field is desirable and the ability to communicate effectively is essential. It is unlikely that the successful candidate will be under 30.

A minimum salary of £2,000 to £2,250 will be paid according to experience. Benefits include pension scheme, car allowance and an opportunity to increase earnings appreciably after completion of training.

Reply in confidence, sending brief curriculum vitae to:

The Director,
Institute of Marketing,
Marketing House,
Richbell Place,
Lamb's Conduit Street,
London, W.C.1.

The Electricity Council Research Centre

MANAGER Engineering Research

The Electricity Council are creating a research and development centre at Capenhurst in Cheshire whose objectives, against an economic background, are:

- To explore and exploit the versatility of electricity as a refined and inherently controllable source of energy, to supply the exact needs of each individual activity of the community, in the household, commerce, agriculture and industry;
- To devise means of improving the distribution of this energy to those consumers.

To attain these objectives the Director of the centre will be aided by a team of managers—research engineering; research sciences, development projects; administrative and engineering services.

The research engineering manager will work in close collaboration with the sciences research manager to help create and lead a number of inter-disciplinary research sections. He will be expected to co-operate with the development-project manager whose task it is to apply the objective basic research results of the research sections. To give commercially viable processes and equipments. The Electricity Council wish to appoint to this post a research engineer of proper ability in objective basic research into a number of fields of engineering science. The successful candidate should have a good degree in engineering, have undertaken post graduate study, probably but not necessarily in a branch of electrical engineering, have shown signs of the intellectual ability and integrity necessary to lead a successful research team.

- **The salary will be within £3,215 to £4,590 p.a. depending on ability, age, and aptitude for the post.**

Applications giving details of age, qualifications, experience, present position and salary, should be submitted to Mr K. H. Hughes, Assistant Secretary (Establishments), 30 Millbank, London, S.W.1, by September 17, 1965.

Quote Ref.: ECO/487.

Kent County Council

Planning Department

Applications are invited for appointments to interesting and responsible posts in the following grades:
(a) Scale DE (£1,940–£2,150)
(b) Scale CD (£1,770–£2,285)
(c) Scale BC (£1,610–£2,110)
(d) Scale AB (£1,495–£1,940)

The Department is involved in an enlarged programme of positive planning work to meet the pressures for substantial growth in population, and the employment, leisure and transport facilities required. Substantial urban replanning work is in hand, and a special problem exists in relation to protecting the character of Kent's attractive villages. Officers able to make a constructive approach to the formulation of policy, the control of important development projects and research techniques are needed.

Candidates for all posts must be Chartered Town Planners, except that for post (d) consideration will be given to applicants who are academically qualified but have not yet been elected to corporate membership of the Town Planning Institute.

In Scale DE two vacancies exist, and for one corporate membership of the R.I.B.A. will also be necessary. For the other, experience of and aptitude for research work necessary in the formulation of policy will be required. Posts (b) (c) and (d) will be filled and their location decided accordingly to the experience, ability and special aptitude of successful candidates. The Department has offices at Maidstone, Canterbury and Gravesend.

Applications, with names of two referees to the County Planning Officer, County Hall, Maidstone, by September 6, 1965, in envelope marked "Confidential."

Draft Advertisement

KINGSTON COLLEGE OF TECHNOLOGY

DEPARTMENT OF BUSINESS AND SOCIAL STUDIES

Research Assistant (Ref: E33)

Applications are invited from graduates in Economics or Sociology for a post as Research Assistant to take part in an inquiry into the changing economic and social structure of this particularly interesting area of Greater London. The successful applicant will be encouraged to read for a higher degree.

Salary Scale: £750 x £25 – £800 p.a.

Further particulars, and application form which should be returned by September 6, 1965, from the Vice-Principal, Kingston College of Technology, Penrhyn Road, Kingston upon Thames.

THE ROYAL BOROUGH OF KINGSTON UPON THAMES

Applications are invited for 6-12 weeks lecturing in the United States on the economic position in Britain and its effect on the international situation. Full details of qualifications to Box 1949.

University of Strathclyde

DEPARTMENT OF ECONOMICS

Lecturers/Assistant Lecturers in Economics

Applications are invited for the above posts.

Salary scale: Lecturer £1,400–£2,505. Assistant Lecturer £1,050–£1,275 per annum with F.S.S.U.

Further particulars and application forms may be obtained from the Registrar, University of Strathclyde, George Street, Glasgow, C.1, with whom applications should be lodged by September 13, 1965.

University of New South Wales

Lecturer
School of Accountancy

Applications are invited for appointment to the above-mentioned position.

Salary: £A2,400 range £A3,170 per annum. Commencing salary will be according to qualifications and experience.

Applicants must have a distinguished academic record. Practical experience is desirable and University teaching experience would be an advantage.

Preference will be given to applicants with a special interest in one or more of the following areas—accounting theory, financial accounting, and managerial accounting.

Opportunities exist for teaching at both the pass and honours levels. Grants are available to assist research.

Details of appointment, including superannuation, study leave, housing scheme may be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in Australia and London, on *September 30, 1965.*

BANK OFFICERS

GET OUT OF THE RUT!

Career appointments overseas are available to bankers of 20 to 35 years of age. Applicants up to age 25 should be single men and have completed at least Part I of the Institute of Bankers' Examination. Marriage is not a bar to older men, but they should have completed (or be in process of completing) Part 2 of the Institute Examination. These are career appointments with excellent prospects. The younger age group commences service in West Africa with emoluments normally in the region of £1,300 p.a. Salaries of older men are higher and will be considered at interview.

- ★ Free furnished quarters overseas.
- ★ First-class non-contributory Pension Scheme and retirement at age 55.
- ★ Eighteen-month tours with 108 days' leave between each tour. £100 kit allowance on appointment. Free medical attention overseas (though our health record is excellent). Free travel.

Interviews arranged in London

Write, giving full particulars, to: The Secretary,
BANK OF WEST AFRICA LIMITED,
37 Gracechurch Street, London, E.C.3.

Vacant Post

THE INTERNATIONAL TIN COUNCIL

The International Tin Council invites applications for the post of ASSISTANT SECRETARY. Duties will include work on the detailed administration of the International Tin Agreement (an intergovernmental commodity agreement with 21 countries in membership) and on economic research in the study by the Council of problems affecting the world tin position.

Applicants should have experience in administration, economic research or general business. Some knowledge of languages desirable. Offices in London, international staff. Salary scale is £1,915 by 175 to £2,440 per annum. Non-contributory pension scheme. Applications, with full particulars, should be received by The Secretary, International Tin Council, Haymarket House, 28 Haymarket, London, S.W.1, not later than October 4, 1965.

STATE BANK OF PAKISTAN

Applications are invited from Pakistan Nationals for the post of Assistant Director in the Department of Research, State Bank of Pakistan, Central Directorate, Karachi. The post carries an initial pay of Rs.900/– per month in the scale of pay of Rs.900–75–1500 plus Local Allowance of Rs.50/– per month, House Allowance at the rate of 15 per cent of pay and other facilities as admissible under the rules.

Qualifications :—High academic qualifications, preferably a Ph.D. in Economics from a foreign University, with experience in research work.

Age : not more than 40 years, relaxable in the case of highly qualified candidates.

Applications stating age, qualifications, experience with attested copies of certificates and Testimonials should reach the Director of Establishment, State Bank of Pakistan, Central Directorate, P.B. No. 4456, Karachi latest by the 31st August, 1965. Candidates already employed should apply through their employers.

Opportunity in Canada

Investment Analyst

Leading Canadian Investment House offers a challenging opportunity for an experienced analyst to head its research department. Must have above average writing ability and be capable of producing detailed research material in practical report form. Engineering or Technical background could be considered an advantage. May be required to travel from time to time across Canada and in Europe. Salary $10,000-$15,000 depending on ability and experience. (A married man with two children would enjoy a net income of $8,600 to $12,000 after taxes.) Benefits include Pension Plan, sickness and accident coverage and group life insurance.

Location: Montreal, Canada

Interviews will be arranged in London.

Please reply, giving qualifications and experience, to:
P.O. Box 216, Place d'Armes, Montreal 1, Canada.

ECONOMIC CONSULTANTS LIMITED

Our rapid growth has created immediate vacancies for additional economists. (a) Young graduates, possibly with some postgraduate research or industrial experience since graduating; (b) Those with some years of useful experience, in the 25-35 age bracket.

In both cases a minimum qualification is a First or Good Second in economics or closely related subject. A good knowledge of mathematics and or statistics would be an advantage.

The work consists of industry studies (often for new capital projects), regional economic studies; questions of industrial location and distribution; economics of urban growth, and similar problems. It is difficult and challenging work, and makes heavy demands on those who undertake it; but it gives plenty of opportunities to make new contributions in these fields. Since we require applicants of high ability we are prepared to pay correspondingly attractive salaries.

Please write, enclosing full details of education, qualifications and experience to W. F. Luttrell, Managing Director, Economic Consultants Limited, 2 Howard Street, London, W.C.2.

SENIOR RESEARCH EXECUTIVES

Industrial and Consumer

A leading Research Organisation has vacancies for two Research Executives.

(a) A Project Director, capable of taking complete charge of research projects in the consumer field, with full responsibility for their planning and costing and for deciding on the appropriate techniques to be used. The candidate must be used to discussing research with clients, and of handling (if not generating) a large volume of research surveys each year. He will probably now be a No. 2 in a manufacturing company's research division, or in a research agency, and ready to take further responsibility.

(b) A Project Director, to carry out the same function in the industrial field. He will undoubtedly already have had experience in Industrial Research, and ideally will have a Degree in Chemistry or Engineering. He must be able to present his findings in the form of a lucid practical report.

Both candidates will probably be in the 25–30 age bracket. Salaries, according to experience, will be in the region of £2,000—£2,500. Each position carries an opportunity to share in the responsibility for increasing the turnover and profitability of this fast developing company.

Apply in confidence to the Company's Personnel Consultants:
MICHAEL PAINE ASSOCIATES LIMITED
68a, Wigmore Street, W.1
WELBECK 1914

— Marketing and Publicity Appointments —

MARKET RESEARCH

A first-class opening has arisen for a young man, aged 21-26, of degree standard, with an Economic and/or Statistical background. Based in the Marketing Research department at Hayes, he will be engaged initially on sales and marketing analyses. Full training will be given in the various functions of the department and there are opportunities for progress into the Product Management area.

Salary and conditions are those of a large progressive company. Please write initially, giving brief details of personal history, to:

HEINZ 57

The Personnel Officer,
H. J. Heinz Company Ltd.,
Hayes Park, Hayes, Middlesex

RADIO NEWSREEL. BBC requires Assistant to act as Scriptwriter and Producer for the various Home and Overseas editions of Radio Newsreel and its associated programmes. Essential qualifications: lively and informed interest in all aspects of current affairs, ability to originate ideas for current affairs programmes and to turn out balanced and well written scripts, often under extreme pressure. Knowledge of studio techniques an advantage. Candidates under 35 years of age will be preferred. Shift duties, including all-night work. Salary £1,570 (may be higher if qualifications exceptional), rising by annual increments of £90 and progressing after two years' satisfactory service to £1,795 x £95 to £2,270 max. p.a. Write for application form (enclosing addressed envelope and quoting reference 65 O 540 L) to Appointments Department, BBC, London W.1, within five days.

University of Bristol

Applications are invited for the post of Lecturer (Grade II) in economics and operational research tenable from October, 1965.

Salary within the scale £1,400 to £2,505 per annum with superannuation benefits.

Further particulars may be obtained from the Registrar, University Senate House, Bristol 2, to whom applications should be sent by October 7th.

University of Edinburgh

Department of Organisation of Industry and Commerce

Applications are invited for two posts of LECTURER or ASSISTANT LECTURER in the above Department.

Preference will be given to candidates with interests in one or more of the following fields:
OPERATIONAL RESEARCH
BUSINESS STATISTICS
DATA PROCESSING

The department is one of those specially designated by the U.G.C. and the Foundations for Management Education for the further development of advanced work in Management Studies.

Salary Scales:
Lecturer, £1,400 x £85 to £2,505.
Assistant Lecturer, £1,050 x £75 to £1,275 with placement according to qualifications and experience, and F.S.S.U. benefits.

Applications (six copies) should be lodged not later than September 30, 1965, with the undersigned, from whom further particulars can be obtained.

CHARLES H. STEWART
Secretary to the University

August, 1965

VIYELLA INTERNATIONAL LIMITED wish to appoint a young **ECONOMIST** to help in the work of market investigation and planning covering all branches of Lancashire type textiles. The present appointment will be based on Preston but there will be, later, opportunities to move about the Group in other parts of the country.

An attractive salary and excellent prospects are offered.

Applicants should send full curriculum vitae to The Secretary, A. S. Orr & Co. Ltd., School Lane Mill, Bamber Bridge, nr. Preston, Lancs.

ASSISTANT TO MARKETING MANAGER —BIRMINGHAM AREA

An unusual opportunity occurs with a medium-sized British engineering group, with Head Office in the West Midlands area, for a young economics, commerce or social science graduate to obtain training and experience in international marketing of consumer and capital goods.

The successful applicant would be expected to help in a world-wide survey of the market for the Group's products and then assist in formulating and implementing the resulting marketing plans.

The Group has an outstanding record of expansion and this appointment offers excellent prospects of promotion to sales or marketing management at home or overseas.

Applications should be addressed to:

The Marketing Manager,
Weighing Machine Division,
Geo. Salter & Co. Limited,
West Bromwich, Staffs.

UNITED NATIONS

STATISTICIANS are constantly required for technical assistance assignments in developing countries. In particular:

I. CHIEF GOVERNMENT STATISTICIAN—TANZANIA. To direct the Central Statistical Bureau. Duration two years initially.

II. GOVERNMENT STATISTICIAN—BECHUANALAND. To establish and direct statistical unit: to co-ordinate statistical work of different departments: to assist in preparing ground for a new development plan: to organise and direct in-service training. Duration one year initially.

QUALIFICATIONS: a good degree with substantial relevant experience including governmental.

SALARIES with allowances are attractive.

Job descriptions and application forms from:

Ministry of Overseas Development,
Room 318,
Lland House,
Stag Place,
London, S.W.1

Information Division, Board of Trade

Assistant Information Officer (Unestablished)

This officer is required for the Home Policy and Executive Section.

The post is in a small unit concerned with information policy in the United Kingdom. He requires judgment, capacity to undertake some research and to maintain a reference system, and ability to write effectively. Applicants should have a good education, preferably to degree standard, and an interest in economic and business affairs.

SALARY according to experience and qualifications on a scale rising to £1,408 p.a. (national).

There may be an opportunity for the successful candidate to become established in the A.I.O. Grade later in the year.

WRITE, giving age, full details of experience and qualifications, to Manager (PE 1071), Ministry of Labour, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4. Only those persons selected for interview will be advised of the result. CLOSING DATE for applications September 11, 1965.

University of Birmingham

Faculty of Commerce and Social Science

Applications are invited for a Research Assistantship, to assist with research in Economics and Econometrics. Applicants should be graduates, or hold some equivalent qualification, and have some training in quantitative methods. The appointment is from September 20, 1965, or as soon as possible thereafter, until, in the first instance, September 30, 1966. The salary scale rises to £850. Applications (three copies) including the names of two referees and a curriculum vitae should be sent by September 4 to the Assistant Registrar, Faculty of Commerce and Social Science, The University of Birmingham, Birmingham 15.

MIDLOTHIAN COUNTY COUNCIL

O. & M. Assistant

Applications are invited for the above post in the Establishment Section of the County Clerk's Department from persons with several years' experience in O. & M. techniques (including job evaluation) preferably as applied to Local or Public Authorities.

Salary scale £1,760-£2,070.

Five-day week, superannuation, etc.

Application forms, returnable by August 31, 1965, and further particulars may be had from the **Establishment Officer, County Buildings, George IV Bridge, Edinburgh 1.**

SENIOR ASSISTANT

INDUSTRIAL RELATIONS

Applications are invited for the appointment of a Senior Assistant in the Electricity Council's Industrial Relations Department at 30 Millbank, S.W.1.

The post offers good prospects in the field of Industrial Relations for a well qualified person. The person appointed will work direct to the Industrial Relations Adviser and his Deputies on a variety of assignments. This will involve reading widely in the subject, analysing material, and preparing draft papers.

●The salary will be within the scale £1,360-£1,595 per annum, inclusive. The maximum will rise to £1,645 per annum inclusive on January 1, 1966.

Applications, stating age, experience, qualifications, present position and salary, should be forwarded to K. H. Hughes, Esq., Assistant Secretary (Establishments), The Electricity Council, 30 Millbank, London, S.W.1, by September 10, 1965.

Quote Ref.: E/490

Subscriptions to THE ECONOMIST

Annual Postal Subscription by ordinary mail, UK £6; overseas £6 10s. By air see below

	Airmail	Air Freight		Airmail	Air Freight
Australia..	£13 10s.	—	Iran & Iraq	£11 0s.	£9 10s.
Canada:—			Israel.....	£11 0s.	£9 10s.
Quebec & Ont.	£12 10s. or Can. $38	£9 15s. or Can. $30	Japan.....	£13 10s.	—
Provs. .			Jordan....	£11 0s.	—
Other Provs...	£12 10s. or Can. $38	£10 10s. or Can. $31·80	Lebanon..	£11 0s.	£9 0s.
			Malaya....	£12 10s.	—
			N. Zealand.	£13 10s.	—
			Nigeria...	£12 10s.	£9 10s.
Ceylon...	£12 10s.	£10 0s.	Pakistan...	£12 10s.	—
China....	£13 10s.	—	Philippines	£13 10s.	—
East Africa	£12 10s.	£10 0s.	Rhodesia..	£12 10s.	—
Egypt....	£11 0s.	—	S. Africa..	£12 10s.	£10 0s.
Europe...	£10 0s.	—	Sth. & Cen. America	£12 10s.	—
Ghana....	£12 10s.	£9 10s.	Sudan....	£11 0s.	£9 10s.
Gibraltar, Malta..	£7 5s.	—	U.S.A.....	£12 10s. or $35	£10 10s. or $29·50
Hongkong	—	£12 10s.			
India.....	£12 10s.	£10 0s.			
Indonesia.	£12 10s.	—	W. Indies..	£12 10s.	—

Subscriptions to many countries can be sent either by direct second-class airmail, or in bulk by air freight for onward posting from central distribution points! Airmail is invariably more expensive but usually quicker by about 24/48 hours. Where only one service is shown this is because the alternative is either not available or not recommended.

Passport Control Examiners

Foreign Office

At least four pensionable posts for [illegible] based, mainly in the capital cities of Europe and in the Middle East, for men and women aged at least 30.

QUALIFICATIONS. Good general education and thorough command of at least two foreign languages, one of which must be French, German or Spanish. Suitable educational qualification (e.g. university [illegible] or long residence abroad) necessary. Experience of interviewing and knowledge of [illegible] work an advantage.

SALARY £1,144-£1,358 plus overseas allowance. Promotion prospects.

WRITE Civil Service Commission [illegible] Row, London, W.1, for application form quoting 6239/65. Closing date September [illegible] 1965.

(1/8)

Workers' Educational Association

Yorkshire District (South)

Applications are invited for the post of District Secretary. Salary scale £1,050-£1,500. The person appointed will be placed on the scale according to qualifications and experience.

This post offers a wide variety of interest in adult education with executive responsibility for the affairs of the Association, and involves close co-operation and consultation with LEAs, Universities, and the Department of Education and Science.

Full details and application forms which have to be returned not later than September 26, 1965, may be obtained from the District Secretary, WEA, 26 Campo Lane, Sheffield 1.

For further announcements see pages 737, 738, 739 and 740

University of New South Wales

Senior Lecturer, Lecturer and Tutors: School of Economics

Applications are invited for appointment to the above-mentioned positions. The University proposes making three appointments. Preference will be given to applicants with a special interest in one or more of the following areas: micro-economic theory, economics of industry, labour economics, history of economic thought. Opportunities exist for teaching at both the pass and honours level, and for supervising postgraduate students. Grants are available to assist research.

Applicants must have a distinguished academic record and have had some experience in teaching and in research.

Salary: Lecturer £A2,400 (range £A3,150 per annum). Senior Lecturer £A3,300 (range £A3,800 per annum). Commencing salary will be according to qualifications and experience.

Details of appointment, including superannuation, study leave, housing scheme may be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in Australia and London, on *September 18, 1965*.

APPOINTMENT WANTED

YOUNG MAN FROM ZURICH, [illegible] diploma in marketing, well educated, graduated London School of Economics, Trade, German, French and English, seeks position in marketing or sales (preferably [illegible]). Write Box 1931.

BUSINESS

ARE YOU INTERESTED in opening up a business of your own? Why not leave yourself in a large capital outlay when you can lease our leasing plan rent a whole or part private or an established going concern. For details please apply Messrs. Flynn and Flynn Ltd., 79 New Bond Street, London, W.1.

AVAILABLE NOW. TECHNICAL REPORTS
File 1 Standard Electric Typewriters
File 2 Electrostatic Copiers
Equipment Comparison Ltd., 210 Upper Thames Street, London, E.C.4. (CITY 1000)

The Institute of Cost and Works Accountants

63 Portland Place, London, W.1

December 1965 Examinations

The next examinations (Parts I-V) will be held at the usual Home and Overseas Centres on December 6, 7 and 8, 1965. Applications on Form C (obtainable on receipt of self-addressed gummed label) to reach with the appropriate fee (now £3 10s. per part), should be received at the Institute as soon as possible, and in any case not later than September 10th for Overseas and October 20th for Home candidates. *No late entries will be accepted.*

PENSIONS FOR BRITONS who have worked IN FRANCE

Britons, Canadians and U.S. who were employed prior to 1947, as salaried employees (engineers, technicians, head accountants, commercial travellers, rulers of concerns) in a French or Foreign Company even being not in existence, are entitled to receive the French pension of Head Staff, *entirely free of charge*, without any payment or repurchase. (Convention collective des Cadres du 14 Mars 1947.)

Besides the 1914-18 period—on the understanding that they have been called up—and the 1939-45 period are validated.

The widow is entitled to get 60% of her husband's pension. These pensions are payable in England.

For information apply to Mr SICAUD 45 rue Gambetta, PONTOISE (France).

EDUCATION AND COURSES

Home Study Courses
B.Sc. (Econ). LL.B

and other external degrees of the University of London. Also Accountancy, Secretaryship, Law, Costing, Banking, Insurance, Marketing, G.C.E., and many (non-exam.) courses in business subjects including the new Stockbrokers and Stockjobbers course.

Write today for details or advice, stating subjects in which interested, to

Metropolitan College

(Dept. G9 2), St. Albans,
or call at 30 Queen Victoria Street
London, E.C.4. City 0874.
(Founded 1910.)

The Incomtec Management Development Group
Sept. 1965—May 1966

Offering men of general management potential the opportunity of studying new ideas in unfamiliar functional areas. Ten two-day seminars at monthly intervals in central London. First seminar, "Measurement for Management," September 16th and 17th, by Dr. R. W. Revans.

Syllabus and Registration Information from:

Industrial and Commercial Techniques Ltd.,
30 Fleet Street, London, E.C.4.
Tel.: LUD 7757.

RUSSIAN for beginners. Adults only. 40 hour course 17 gns. 7-10 p.m. Wednesdays and Fridays. Starts September 15th and offers a remarkable degree of competence by early November. Write, 'phone or call Dept. ER, CLEAVER HUME LANGUAGE LABORATORY 83 New Broadway, W.5. EALing 7347.

Model Answers for Banking Diploma
S.A.E. to Wick, B.Sc.Econ., A.I.B.,
305 Portobello Road, London, W.10

Tuition at Home

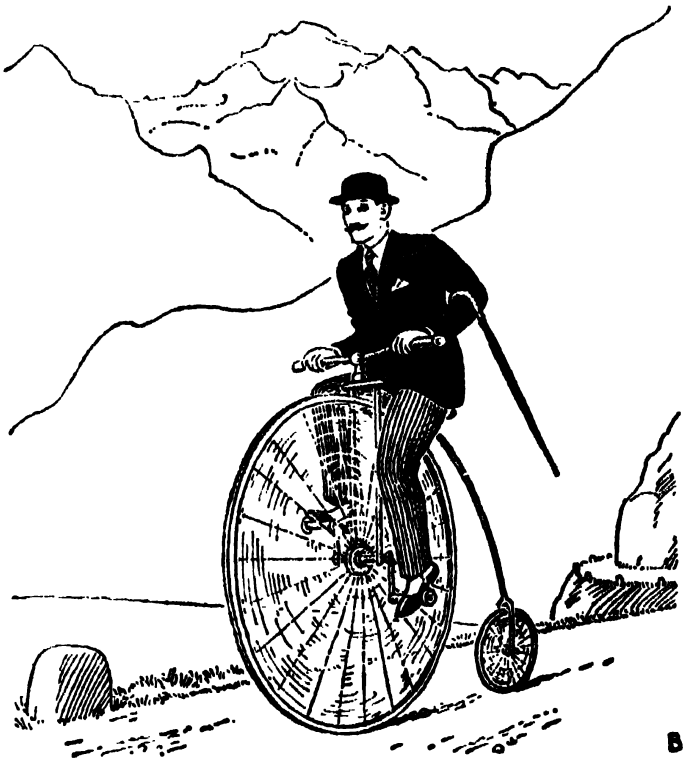
Wolsey Hall (Est. 1894) provides successful courses for G.C.E. (all Examining Boards), and for London University External B.Sc.Econ., B.A., B.D., B.Sc., LL.B. Degree; also Diplomas and Certificates. 1,934 Wolsey Hall students passed B.Sc.Econ. since 1950. Tuition also for Law, Statistical, Secretarial and other Professional Exams., R.S.A., etc. Moderate fees, instalments if desired. Prospectus from E. W. Shaw Fletcher, C.B.E., LL.B., Principal, Dept. P.17,

Wolsey Hall, Oxford

Management Theory begins with "Business Maths"

The National Extension College, Cambridge, offers a home-study course in BUSINESS MATHEMATICS specially devised for those interested in management theory. The course forms an introduction by programmed learning to mathematical techniques of treating business problems. Tested and proved in U.S.A. Refund of fees given on cancellation for any reason. Many other courses available. For further information write to: National Extension College, incorporating University Correspondence College, Dept. (60), Shaftesbury Road, Cambridge.

NO MATTER HOW, WHEN, OR WHY YOU TRAVEL TO SWITZERLAND



it pays to consult with the

SUBS G

UNION BANK OF SWITZERLAND

SCHWEIZERISCHE BANKGESELLSCHAFT
UNION DE BANQUES SUISSES
UNIONE DI BANCHE SVIZZERE
HEAD OFFICE: ZURICH, Bahnhofstrasse 45
OVER 90 BRANCHES THROUGHOUT SWITZERLAND

3 books for the businessman interested in Australia

Nominee & Investment Services

A guide to, and service for, your Australian and New Zealand portfolio investments specially designed to assist non-resident investors.

Forming a Company in Australia

Covers various aspects of Company Law as defined in the Uniform Companies Act now operating in most Australian States - and much else besides.

Opportunity Australia

The purpose of this 174 page book is to give a factual and balanced picture of the resources and business opportunities in Australia.

All copies freely available upon request.

THE COMMERCIAL BANK OF AUSTRALIA

LIMITED *Incorporated in Victoria*

C.B.A BANK

LONDON OFFICES:
12 Old Jewry, EC2 · Telephone: MEL 8,61
and for all travel requirements
WEST END BRANCH:
34 Piccadilly, W1 · Telephone: REG 0646
HEAD OFFICE: 335-339 Collins Street, Melbourne

clive

Paid-up Capital and Reserves exceed £2,000,000
Treasury Bank and Fine Trade Bills Discounted

Money received on Deposit at Call and at Short Notice at current market rates of interest

Clive Discount Company Limited

1 Royal Exchange Avenue
London EC3
Telephone Avenue 1101
Telex 25182

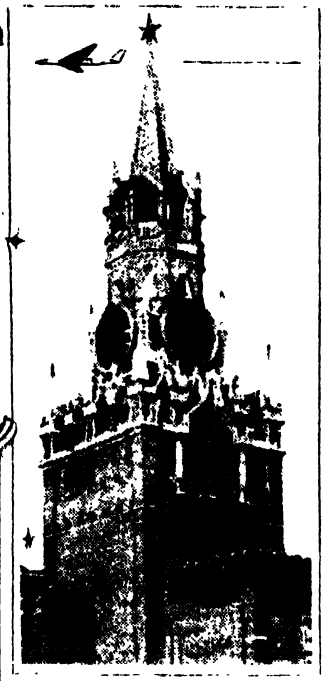
JAPAN'S LEADING INDUSTRIAL BANK

The Industrial Bank of Japan is Japan's leading long-term credit institution. It has a history dating back to 1902 and has played a leading role in financing the growth of Japanese industry since that time. The Bank is now one of Japan's largest private banks, and its clientele comprise a substantial majority of the nation's principal industrial concerns. The Bank also engages in export financing on a deferred payment basis, in cooperation with Japan's Export-Import Bank. Debentures issued by the Bank have a long history and a solid reputation. They constitute the primary resources of many leading financial institutions. If you are engaged in business with Japan, you'll find The Industrial Bank of Japan a most helpful partner. Please call on us any time.

THE INDUSTRIAL BANK OF JAPAN, LTD.

Head Office: 8, 1 chome, Marunouchi, Chiyoda ku, Tokyo
Cable Address KOGIN TOKYO. Telex TK2375, TK2850

London Office: Moor House, 119 London Wall, London, E.C. 2. Tel National 5251
Frankfurt Office: Eschersheimer Landstrasse 9, Frankfurt a.M., F.R. Germany. Tel: 558851.
New York Office: 30 Broad Street, New York, N.Y. 10004. Tel: HAnover 2 0657.



how to develop trade quicker with the USSR

Make the most of rapidly increasing U.S.S.R. trade by flying Aeroflot. It's not only the fast way to Moscow itself, but much the fastest way of reaching all the other huge industrial and population centres of the U.S.S.R. You travel non-stop in the latest TU 104 jets, reaching Moscow in just 3¾ hours. Flights twice weekly in both directions.

And don't forget! Freight flies jet-fast to Moscow too.

3¾ hours to Moscow

by **AEROFLOT** Soviet Airlines

Full details of passenger and freight services from your travel agent or Aeroflot Soviet Airlines, West London Air Terminal, SW7. Telephone: FRObisher 4255, ext. 2496.

The friendliest, most forward-looking bank in Japan

The image of youthful energy and efficiency that the Saitama Bank projects is winning it many new friends among businessmen, both in Japan and abroad.

It offers the foreign businessman complete, modern, personalized service in the field of foreign trade and exchange. If you're looking for a bank that makes your interests its own, the Saitama Bank is your logical choice.

SAITAMA BANK

Head Office: Urawa, Saitama Pref.
Cable Address: SAIGIN TOKYO Telex: TK2811 (SAIGIN TK2811)
Tokyo Branch & Foreign Dept.: Chuo-ku, Tokyo

LIFE ASSURANCE needs specialist advice, the "ROYAL" can provide it!

ROYAL INSURANCE COMPANY LIMITED

HEAD OFFICE: 1 North John Street, Liverpool 2
LONDON HEAD OFFICE: 24/28 Lombard Street, EC3

Branches throughout the United Kingdom and the World

SAVE WITH COMPLETE CONFIDENCE

THE HIGHEST RATE CONSISTANT WITH **SAFETY**

• perfect record of safety • depositors in 107 countries • no Bahama taxes • special confidential accounts • U.S. dollars and sterling accounts.

Dollar deposits earn interest and are repaid in dollars

6% ON SAVINGS ACCOUNTS SAVE BY MAIL!

Interest paid quarterly

BAHAMAS SAVINGS AND LOAN ASSOCIATION, LTD.
P.O. Box 69, Rawson Square, Nassau, Bahamas

☐ Send more information:

Name ...
Address ...
City ... Country ...
Amount Enclosed ... EC

FUJI BANK speaks the language of international trade and finance.

JAPAN'S LARGEST COMMERCIAL BANK

THE FUJI BANK LTD.

Tokyo, Japan

London Branch: *Salisbury House, Finsbury Circus, London E.C. 2*
New York Agency: *47th Fl., Chase Manhattan Bldg., 1 Chase Manhattan Plaza, New York N.Y. 10005, U.S.A.*
Düsseldorf Branch: *Immermannstrasse 10, Düsseldorf, F.R. Germany*

Registered at the General Post Office, New York, as a Second Class Matter. Authorized as Second Class Mail, Post Office Dept., Ottawa. Subscription Rates: Annual Subscription, $12.00. Subscriptions and Advertisements: Apply to The Economist Newspaper Ltd., 25 St. James's Street, London, S.W.1. Telephone: WHitehall 8155. Printed in England by St. Clements Press Ltd., London, E.C.4. Published by The Economist Newspaper Ltd. Postage on this issue: UK 8d., Overseas 8d.

STOCK PRICES AND YIELDS

LONDON STOCK EXCHANGE INDICES

THE ECONOMIST-EXTEL INDICATOR (1953=100)				FINANCIAL TIMES (1935=100)		FT-ACTUARIES INDICES (April 10, 1962=100)			Bargains Marked
1965	Noon	Close	Yield %	Ord. Index	Yield %	500 Shares	Yield %	2½% Consols Yield	
Aug. 11	373·3	374·1	5·76	326·7	6·02	102·10	5·83	6·52	8,715
" 12	376·4	376·6	5·72	329·1	5·97	102·83	5·79	6·46	9,161
" 13	376·5	376·4	5·72	328·9	5·98	102·75	5·79	6·46	8,981
" 16	377·0	378·4	5·69	330·0	5·95	103·12	5·78	6·44	10,513
" 17	379·0	377·1	5·71	328·6	5·98	102·86	5·79	6·42	9,359
" 18	376·6	375·6	5·73	327·1	6·02	102·41	5·82	6·44	8,927
High, 405·2 (May 14)				High, 359·1 (May 3)		High, 111·39 (February 18)			
Low, 361·1 (July 5)				Low, 313·8 (July 29)		Low, 99·07 (July 29)			

Prices, 1965 High	Low	BRITISH FUNDS DOMINION AND CORPORATION STOCKS	Price, August 11, 1965	Price, Aug. 18, 1965	Net Red. Yield, August 18, 1965§ £ s. d.	Gross Red. Yield, August 18, 1965 £ s. d.
93 1/16	90⅞	Savings Bonds 2½% 1964–67	93 1/16	93⅛	4 9 5	6 17 0
84 9/16	82⅞	Savings Bonds 3%.....1960–70	83 3/16*	83¾*	4 10 5	6 17 0
79 9/16	76¾	British Electric 3%.....1968–73	78¾	78⅞	4 9 3	6 15 11
75	71½	Savings Bonds 3%.....1965–75	72⅛*	72¾	4 10 8	6 16 3
73¾	70¼	British Electric 3½%.....1976–79	71¼	72⅛	4 6 9	6 13 2
61¼	56½	British Transport 3%.....1978–88	58	58¾	4 6 3	6 10 8
92	88¼	Funding 4%.....1960–90	91¾	91⅞	3 9 7	5 5 10
58⅞	53⅜	British Gas 3%.....1990–95	54⅞	55 11/16	4 3 8	6 8 8
88½	81⅛	Treasury 5½%.....2008–12	82*	83⅛*	3 19 11	6 13 2
55 5/16	51¼	War Loan 3½%.....after 1952	52⅞	53½	3 17 6	6 12 9
40 3/16	37	Consols 2½%.....	38½	39	3 15 8	6 9 3
87½	85⅝	Australia 3¼%.....1965–69	86½	86¾	...	7 1 0
89¾	87¼	Birmingham 4¼% 1967–70	87¾	88	...	7 1 6
104¼	99½	LCC 6¾%.....1974	100⅛	100⅜	...	6 14 6
98¼	94½	Australia 6%.....1974–76	95½	95¾	...	6 15 0
102⅛	97⅝	Bristol 6½%.....1975–77	98¼	98⅞	...	6 12 0
98¾	92½	New Zealand 6%.....1976–80	93½*	94½	...	6 10 6
83	80	Northern Rhodesia 6%...1978–81	80	80	...	8 5 6p
103⅝	98¾	LCC 6¾%.....1988–90	100¼	101¼	...	6 13 0
56	53½	Southern Rhodesia 4½%..1987–92	55	56	...	8 15 0
45¾	42½	LCC 3%.....after 1920	43*	44	...	6 14 6

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, Aug. 11, 1965	Price, Aug. 18, 1965	Yield, Aug. 18, 1965 % **	Cover
			BANKS, DISCOUNT & HP					
62/-	53/3	6½ a	Barclays.....£1	56/-	60/-	59/9	3·8	...
47/9	39/3	5 a	Lloyds.....£1	41/6	44/9	44/9	4·2	...
18/4½	16/-	7½ a	Martins.....5/-	17/7½	18/3	18/-	4·2	...
59/-	50/9	6½ a	Midland.....£1	51/6	54/9	55/-	4·4	...
72/3	62/6	8 a	Nat. Provincial.....£1	66/6	68/-	69/3	4·6	...
61/9	47/6	6⅔ a	Westminster 'B'.....£1	54/9	59/9	60/-	4·4	...
48/-	39/3	8 b	Australia & N. Z. £1	44/6	42/9	44/3	5·4	...
37/3	28/6	6 b	BOLSA.....£1	33/3	31/3	31/6	6·0	...
£25 5/16	£21 13/16	$2·20c	Bank of Montreal....$10	£23 1/16	£23*	£23⅛	4·3	...
55/3	43/3	5‡‡a	Bank of New S. Wales.£1	48/3	45/9	47/-	3·4	...
39/9	37/-	5½ a	Barclays DCO.....£1	39/3	39/6	38/9	5·7	...
47/6	41/6	7½ b	Chartered.....£1	46/6‖	46/3	46/6	6·5	...
£12⅛	£8⅝	6/6b	Hongk'g. & Shang. ..$25	£9⅛	£8¾	£8⅝	5·4	...
30/8¼	24/6	5 a	Nat. Com. Bk. Scot..10/-	27/6	26/-	25/9	4·7	...
£30⅜	£26½	$2·60c	Royal Bk. Canada....$10	£28¾	£27⅛*	£28⅛	3·3	...
60/-	51/9	10 b	Standard Bank.....£1	57/9	55/6	56/3	6·2	...
29/7½	23/3	16½ b	Hambros.....5/-	27/-	25/6	25/10½	4·6	...
14/8¼	10/1½	4 a	Hill, Samuel.....5/-	12/7½	10/7½	11/1½	4·5	...
31/3	26/6	24 c	Montagu Trust.....5/-	31/6	28/9	29/6	4·1	...
59/-	47/-	6 b	Schroders.....£1	59/-	52/-	56/6	3·4	...
50/-	42/3	6¼ a	Union Discount.....£1	45/9	46/6	47/6	5·3	...
11/1½	8/9	4 a	Bowmaker.....5/-	10/-	9/-	10/-	7·5	1·4
18/-	13/-	15 b	Lombard Banking ...5/-	16/-	13/6	13/6	7·4	...
15/3	13/6	7½ a	Mercantile Credit ...5/-	14/6	13/6	14/3	7·0	1·7
17/6	14/6	14 b	United Domins. Tst...5/-	17/3	15/3	16/-*	6·3	1·4
			BREWERIES, Etc.					
14/7½	11/9	5 a	Allied Breweries....5/-	12/4½	12/4½	12/3	5·9	1·5
18/4½	13/7½	4 a	Bass, Mitchells & B. ..5/-	15/3	14/7½	14/9	5·4	1·8
15/1½	12/-	10 b	Charrington United ..5/-	13/4½*	12/7½	12/9	5·9	1·7
25/6	20/-	7½ b	Distillers.....10/-	22/9	25/6	24/11½*	5·2	1·8
22/-	18/-	8 a	Guinness.....5/-	20/3	19/-	19/-	5·5	1·7
20/6	13/5¼	11½ b	Harveys.....5/-	15/3	17/6	17/-	4·9	2·0
65/6	51/-	8 b	Scottish & Newc. Brew. £1	60/6	52/3*	51/6	5·4	1·5
17/7½	13/4½	4⅔ a	Watney Mann.....5/-	14/9	14/9	14/9	5·4	1·9
16/7½	13/-	9 b	Whitbread 'A' 5/-	14/-*	14/1½	14/4½	7·0	1·8
			BUILDING, PAINT, Etc.					
59/7½	47/3	6½ b	Associated Portland...£1	56/6	49/-	48/9	4·1	2·4
27/9	19/4½	6½ b	BPB Industries 10/-	25/9	20/3	20/9	5·3	2·0
28/3	18/10½	12 b	Richard Costain 5/-	24/6	20/11½	20/10½	4·8	3·4
10/9	7/2¼	8½ b	Crittall Hope 5/-	8/7½	7/2¼	7/5¼	8·1	1·9
16/3	12/3	17 b	International Paints ..4/-	14/10½	12/3	12/9	7·8	1·7
25/6	18/6	15 b	London Brick.....5/-	23/3	19/3	20/-	5·0	2·2
27/3	20/6	10 b	Rugby Portland 5/-	26/11½	20/9	20/7½	3·6	3·1
			CHEMICAL					
24/6	20/3	16 b	Albright & Wilson...5/-	23/3	21/9	22/-	4·8	1·8
19/9	16/10½	5 a	Borax Defd. 5/-	19/4½	18/10½*	19/1½	4·2	2·3
56/-	49/-	5 a	Pisons.....£1	53/6	54/6	53/6	4·5	1·7
49/1½	42/4½	7½ b	ICI.....£1	45/3	44/9	44/7½	5·6	1·3
16/3	12/10½	10 b	Monsanto.....5/-	13/6	13/9	14/-	4·9	1·3
			DRAPERY & STORES					
21/7½	14/6	8 b	Boots Pure Drug 5/-	16/-	15/10½	15/10½	3·8	2·3
26/6	19/9	2 a	Montague Burton...10/-	25/6	23/-	23/-	3·5	1·6
38/3	30/4½	6¼ a	Debenhams.....10/-	33/3*	31/-	31/9	6·8	1·5
87/6¾	32/8¼	21¾ b	Grattan Warehouses .5/-	35/6*	36/3	35/3	4·4	1·7
45/6	38/7½	25 b	GUS 'A'.....5/-	43/-	42/6	42/7½	4·1	2·1

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, Aug. 11, 1965	Price, Aug. 18, 1965	Yield, Aug. 18, 1965 % **	Cover
25/3	19/9	18½ b	House of Fraser 5/-	23/9	20/6	20/4½	8·0	1·3
13/4½	10/1½	10 b	Lewis's Invest. Tst....4/-	12/1½*	10/2¼	10/4½	5·8	1·8
35/6	32/6	20 b	Marks & Spencer 'A' .5/-	34/6	33/1½	32/10½	4·4	1·4
30/6	27/-	6 a	United Drapery 5/-	28/3	27/6	27/4½*	4·7	1·8
23/3	18/-	5½ a	Woolworth.....5/-	19/7½	19/1½	19/6	5·1	1·4
			OIL					
54/9	44/-	†8½ b	British Petroleum ... £1	51/3*	52/3	52/3	7·6	2·6
51/9	44/3	†8½ b	Burmah Oil £1	49/3	48/10½	49/10½	8·8	1·1
£17 13/16	£14¾	18·3b	Royal Dutch.....20 fl.	£15⅞	£15 15/16	£15⅜	3·8	2·1
36/4½	29/1½	†18½ b	Shell Transport 5/-	32/10½	30/6	30/-	8·5	2·0
30/3	21/9	...	Ultramar.....10/-	28/4½	23/3	23/-	...	...
			ELECTRICAL & RADIO					
53/3	38/-	8¼ b	AEI.....£1	46/-	45/-	45/6	5·3	1·5
76/1½	61/7½	10 b	BICC.....£1	69/7½*	65/6	66/7½	(4·8)	2·0
12/7½	9/6¾	4·4a	Crompton Parkinson.5/-	13/9¾	10/9¾	10/7½	4·6	2·2
75/-	61/6	10 a	Decca.....10/-	70/6	63/6	63/-	4·4	1·8
27/9	21/4½	5 a	EMI.....10/-	26/9	23/3	23/6	5·3	2·3
18/6	11/7½	6½ b	Elliott-Automation ..5/-	15/9	12/9¾	13/-	4·0	1·8
55/3	42/3	4 a	English Electric £1	47/7½	48/3	49/-*	4·9	1·9
46/9	37/-	3 a	General Electric.....£1	39/10½	39/3	38/6	4·4	2·7
63/9	44/-	8⅛ b	C. A. Parsons.....£1	53/9	53/9	54/9	4·6	1·2
132/1½	101/3	10 b	Philips Lamp Works.10 fl.	128/6	107/6	107/3	3·0	2·3
38/7½	29/3	7 a	Plessey.....10/-	34/4½	32/3	32/1½	3·7	2·5
18/7½	12/6	20 c	Pye (Cambridge) 5/-	16/-	14/11¼	14/8¼	6·8	2·0
42/3	33/-	20 a	Radio Rentals.....5/-	40/-	33/9*	35/3¾	5·7	2·5
61/3	44/-	7½ b	A. Reyrolle.....£1	50/-	51/9	52/9	3·8	3·1
76/-	52/3	15 b	Thorn Electrical.....5/-	65/6	54/6*	54/6	2·8	4·5
			ENGINEERING					
39/9	30/9	5½ b	Babcock & Wilcox....£1	34/3	34/3	34/1½	5·9	1·4
40/6	33/-	7 b	John Brown £1	37/10½	37/-	36/6*	6·0	1·3
9/-	6/7½	8 b	Cammell Laird.....5/-	8/3¾	6/7½	7/7½	7·9	0·4
14/-	11/4½	5 a	Internat. Combust. .5/-	27/3	12/5¼	12/8¼	5·9	1·2
26/3	20/4½	7½ b	Swan Hunter £1	23/6	21/6	21/9	9·2	0·6
8/6¾	5/9	5¾ b	John Thompson 5/-	8/3¼	5/9¾	5/9	7·6	0·6
35/6	26/4½	†3¾ a	Coventry Gauge....10/-	32/-	26/10½	27/1½	6·3	1·9
56/6	42/-	‡2 a	Alfred Herbert.....£1	53/1½	47/-	47/6	5·7	1·6
27/6	21/7½	12 b	Acrow (Eng.) 'A'....5/-	26/6	22/6	24/4½	5·0	1·6
25/6	17/6	17½ b	Allied Ironfounders..5/-	24/3	18/4½	20/1½	6·2	1·8
23/9	19/9¾	17½ b	Averys.....5/-	22/6	21/3	21/9	5·2	1·7
24/10½	18/3¾	5 a	BSA.....10/-	20/8¼*	22/6	22/4½	(5·4)	2·0
12/-	9/6	8 b	George Cohen.....5/-	10/-	10/9¾	10/8¼	5·6	2·2
15/7½	11/7½	6 b	Davy-Ashmore 5/-	12/10½	12/-*	12/3	4·5	...
56/3	45/9	5 a	Guest, Keen £1	48/-	47/-	45/9	6·1	2·0
19/6	12/3	12 b	Head Wrightson.....5/-	19/-	12/3	12/6	6·4	1·3
58/3	48/9	7½ b	Metal Box £1	55/1½	53/-	52/1½	4·8	1·7
17/8¼	14/-	6 a	Ransome & Marles...5/-	16/4½	14/-	14/-	6·1	2·1
40/10½	34/1½	5 b	Renold Chains £1	38/9	37/3	38/9	4·9	1·9
72/9	58/4½	7½ a	Tube Investments.....£1	59/-*	59/9	59/3	5·1	1·9
28/3	20/9	7½ b	Vickers £1	23/6	22/4½	22/10½	8·7	0·5
48/6	38/6	9⅛ b	Ward (Thos. W.) £1	42/9	39/10½	41/-	8·5	1·9
14/9	10/4½	8 b	Wellman Smith Owen 5/-	11/9	11/3	11/-*	6·8	1·0
18/6	14/3	16 b	Woodall-Duckham...5/-	15/6	17/3	17/6	6·0	1·3
			FOOD & TOBACCO					
33/3	28/-	16 a	Allied Suppliers....10/-	28/6	31/11¼	32/1½	5·0	2·1
7/9	6/10½	15 b	Assoc. British Foods..1/-	7/7½	7/1½	7/1½	4·4	2·0
40/-	32/4½	8 b	Bovril.....£1	36/3	34/9	35/6	6·8	2·2
12/4½	10/6	†2½ a	Brooke Bond 'B' 5/-	11/7½	11/1½	11/1½	5·7	2·8
8/7½	7/3	8 b	Fitch Lovell.....2/6	7/7½	8/-	8/-	4·7	2·4
10/7½	8/10½	9½ b	International Stores..5/-	9/3	10/1½*	10/4½	5·3	2·0
59/6	50/6	10 b	J. Lyons 'A'.....£1	52/-‖	51/4½	52/1½	5·1	1·6
33/10½	26/-	5½ a	Ranks Hovis 10/-	29/9	26/9	27/-	5·9	1·9
32/1½	26/-	7 b	Reckitt & Colman ..10/-	28/3	28/-	28/6	4·9	2·2
15/9	12/6	9½ b	Spillers.....5/-	15/4½	13/6	13/7½	4·8	2·3
35/3	28/9	2 a	Tate & Lyle.....£1	31/-	31/9	32/6	6·2	2·0
8/9	6/3	18 b	Tesco Stores 1/-	7/5¼	8/6‖	8/6	3·5	2·4

FOREIGN AND OVERSEAS STOCKS

	Aug. 11 Frcs.	Aug. 18 Frcs.		Aug. 11 %	Aug. 18 %		Aug. 11 %	Aug. 18 %
FRANCE			**GERMANY**			**HOLLAND**		
Air Liquide...	584	582	A.E.G.....	444	445	A.K.U.	458¾	452
Banque de Paris	299	286	Bad'che. Anilin.	450	460	Amster. Rot. Bk.	Fl. 59·8	Fl. 59·4
Citroen.....	159	163·5	Bayer.....	401	400	Bijenkorf	652	640
C. F. Petrole..	170	168	Commerzbank.	406	405	Heinekens	473	484
Cie G. d'Elect.	503	516	Deutsche Bank.	430	428	Interunie (Fl.50)	Fl. 188	Fl. 190
Machines Bull.	91	91·5	Hoechst Farb.	520	514½	K. N. Hoogoven	505	509
Pechiney.....	192	195	Kundenkredit .	339	339	Kon. Zout-Ket.	886½	875
Printemps....	195·5	201	Loewenbrau...	1,010	1,010	Philips (Fl.25)..	Fl. 119 2/[illegible]	Fl. 119·9
Rhone-Poulenc	274	275	Mannesmann ..	198	198	Robaco (Fl.50).	Fl. 221	Fl. 223
S.I.M.....	313	311·5	Siemens	514	507	Thomassen & D.	524	515
Saint-Gobain .	209	214	Thyssen-Huette	185	185	Valeurop.....	Fl. 65·0	Fl. 65·2
Usinor.....	97·5	100	Volkswagen ...	515	510	Zwanenbg (Fl.20)	Fl. 181·5	Fl. 180
Index	89·4	90·1	*Herstatt Index*	96·95	96·28	*Index*	336·6	335·6
High.....	101·4	(31.3.65)	*High*.....	105·22	(8.1.65)	*High*.....	370·9	(2.3.65)
Low	84·8	(20.7.65)	*Low*.....	89·09	(29.6.65)	*Low*.....	320·2	(29.6.65)
	Dec. 31, 1964=100.			Dec. 31, 1959=100.			1953=100.	

	$	$		£A	£A		Yen	Yen
CANADA			**AUSTRALIA**			**JAPAN**		
Abitibi Pr. & P.	11⅞	11¾	Ampol Pet.....	10/-	10/-	Ajinomoto	248	270
Aluminium ...	29	28¾	Ass. Pulp & P...	32/3	34/-	Fuji Iron	60	63
Bell Tel.....	58¼	59¾	Aust. Con. Inds.	55/-	57/-	Hitachi	82	83
Can. Brewer's.	8⅞	8⅞	Aust. Oil & Gas	23/-	23/-	Honda Motor..	209	226
Can. Imp. Bank	63	64¾	Brit. Tobacco.	33/8	34/6	Kirin Brewery.	198	204
Can. Pac. Rly..	64	65½	Broken Hill Pty.	52/-	51/9	Mitsub. Chem..	117	117
Hiram Walker	37⅞	38¾	G. J. Coles.....	13/11	14/4	Mitsub. Elect...	57	56
Imperial Oil ..	52¼	53⅝	Colonial Sugar.	62/-	63/-	Mitsub. Heavy .	69	69
Noranda Mines	47¼*	49⅝	Felt & Textiles.	8/3	8/2	Nippon Elect...	205	213
Power Corpn.	14⅛	14⅝	I.C.I., A.N.Z...	45/6	48/-	Sony	270	288
Steel of Canada	27⅞	28½	MyerEmporium	30/6	31/3	Toyo Rayon ...	108	110
Trans.Can.Pipe	36¼	37¼	Woolworth ...	15/8	15/9	Yawata Iron ...	59	61
Montreal Ind.			*Sydney Ind.*			*Dow Jones*		
Index ...	158·3	161·5	*Index*	318·12	323·34	*Average* .	1122·09	1157·02
High.....	174·0	(13.5.65)	*High*.....	368·74	(5.1.64)	*High*.....	1289·98	(12.1.65)
Low.....	151·8	(26.7.65)	*Low*.....	301·86	(29.6.65)	*Low*.....	1020·49	(12.7.65)
	1956=100.			1937–39=100.				

* Ex dividend. † Tax free. § The net redemption yields allow for tax at 8s. 3d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Equivalent to 8·0 sterling. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (a) To earliest date. (f) Flat yield. (g) Ex all. (h) After Zambian tax. (i) To latest date. (m) Interim since reduced or passed. (p) Resulting from split of Federation of Rhodesia and Nyasaland Stock. Japanese prices supplied by Daiwa Securities, Tokyo. Canadian 65 Stock Industrial Index supplied by the Montreal Stock Exchange. ** Yields in brackets are on forecast dividend.

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, Aug. 11, 1965	Price, Aug. 18, 1965	Yield, Aug. 18, 1965 %	Cover
13/10½	12/6	9 b	Unigate 5/-	13/-	12/7½	12/4½*	5·7	1·7
56/3	44/9	†17½ a	Brit. Amer. Tobac....10/-	48/-	55/6	55/-	6·7	2·4
26/4½	21/-	14 b	Gallaher 10/-	22/9	25/-	24/9	7·5	2·1
57/3	47/-	7½ a	Imperial Tobacco.....£1	49/3	54/6	54/3	7·4	1·6
			INSURANCE					
6¼	5¼	43⅓ a	Britannic..........5/-	5½	6¼*	6⅜	4·2	...
47/3	36/3	25 b	Commercial Union ..5/-	42/3	47/3	46/3	4·9	...
5¼	4⅛	†40 c	Equity & Law Life ...5/-	4½	5	5¼	3·2	...
50/-	40/3	25 b	General Accident....5/-	49/9	49/9	49/3	3·8	...
34/6	27/3	15 b	Guardian...........5/-	29/9	34/3	34/3	3·9	...
9¾	8¼	50 b	Legal & General.....5/-	9	9⅜	9½	2·6	...
126/3	97/6	13 b	Northern & Empl.....£1	121/3	122/6	126/3	3·8	...
49/3	37/-	†110 b	Pearl 5/-	10½	44/9	47/3	4·7	...
34/9	28/3	†47·9b	Prudential 'A'.......1/-	29/6	33/6	34/9	3·9	...
40/3	30/9	20 b	Royal 5/-	36/3*	40/3	37/3	4·7	...
79/3	62/3	11¼ b	Royal Exchange £1	73/3	78/3	78/9	4·8	...
			MOTORS & AIRCRAFT					
15/1½	12/4½	5 a	Birfield 5/-	15/-	13/-	13/-	3·8	1·9
15/1½	11/6	7½ a	British Motor 5/-	14/8¼	12/0¾	11/6¾	8·6	1·7
33/1½	25/-	15 c	Jaguar Cars 'A'......5/-	30/-	27/3	27/7½	2·7	6·8
9/2¼	6/4½	4 c	Rootes Motors 'A'....4/-	7/1½	6/9	7/6¾	2·1	3·1
58/-	47/-	2½ a	Leyland Motors £1	53/6	50/-	50/9	4·3	2·3
18/-	14/6	8½ b	Bristol Aeroplane...10/-	15/10½	15/6	16/-	8·4	2·0
35/3	27/10½	7 b	Hawker Siddeley £1	29/10½	33/3	33/-	7·3	1·7
40/3	31/3¾	7½ b	Rolls-Royce.........£1	35/10½	36/4½	36/-	5·6	1·9
20/4½	15/3¾	†3¼ b	Dowty Group......10/-	17/10½	15/9*	16/-	5·5	2·0
31/6	25/1½	10·8 b	Dunlop Rubber 10/-	29/4½	26/7½	27/1½	5·8	1·8
35/9	29/6	2½ a	Joseph Lucas £1	32/9*	30/3	30/9	5·4	2·4
12/5¼	8/9	13 b	Pressed Steel Ass'n ..5/-	10/11¼	11/9	11/5¼	7·7	2·0
30/4½	23/9¾	5⅝ b	Triplex Holdings... 10/-	24/10½	23/9¾	23/8¼	(5·3)	...
			PAPER & NEWSPAPERS					
46/6	37/6	20 b	Financial News......5/-	44/9	38/-	40/6	3·1	2·9
67/-	57/6	30 b	Financial Times......5/-	66/9	57/6	60/-	3·1	2·7
18/3	15/7½	14 b	Internat. Publishing ..5/-	15/9	16/1½	16/1½	6·2	1·8
31/6	22/3	7 a	News of the World 5/-	27/3	22/3	22/7½	6·6	1·7
56/6	48/9	8½ b	W. H. Smith & Son 'A'.£1	53/-	50/3	50/6	5·0	2·0
21/9	17/9	18 b	Thomson Org'n. 5/-	20/3*	20/-	20/1½	7·0	1·4
48/-	38/7½	20 a	Bowater Paper £1	45/9	47/-	46/1½	6·0	1·8
21/9	17/1½	10 a	British Printing......5/-	19/3	18/1½	18/1½	6·2	1·8
30/-	24/-	17½ c	Bunzl Pulp 5/-	27/9	28/-	29/-	3·0	4·5
57/6	47/-	12 b	Reed Paper..........£1	50/9	52/7½	53/3	6·4	1·5
50/1½	44/3	10 b	Wiggins Teape £1	46/9	45/6	46/-	6·1	1·9
			STEEL					
42/3	25/10½	6 a	Colvilles £1	28/6	31/1½	33/-	9·7	1·4
29/-	23/4½	4 a	Dorman Long.........£1	25/3	25/9	26/-	10·8	1·2
31/-	19/-	2 a	Lancashire Steel......£1	19/3	21/-	21/-	(n)	0·9
24/-	16/6	4 a	South Durham £1	18/-	19/9	20/6	11·7	1·3
28/6	17/7½	3⅜ a	Steel Co. of Wales....£1	19/-	22/-	22/3	9·0	...
36/3	30/-	5 a	Stewarts & Lloyds £1	32/3	32/9	33/6	10·4	1·6
35/3	27/3	6 a	John Summers £1	30/3	31/3	32/6	9·8	1·7
36/6	27/-	6 a	United Steel.........£1	29/3	29/-	30/-	10·0	1·1
			MISCELLANEOUS					
26/4½	23/-	20 b	Assoc. British Picture.5/-	23/10½	24/9	25/10½	5·8	2·9
14/11¼	12/10½	12¼ b	Assoc. Television 'A'.5/-	14/2¼	13/3*	13/3	8·5	2·0
30/3	27/1½	6½ b	Wm. Baird £1	29/1½	28/9	29/6	6·4	2·4
22/3	19/-	11 b	Beecham Group.... 5/-	19/10½	21/6	22/1½	4·5	2·0
19/3	16/9	†6⅔ b	Bookers...........10/-	19/-	18/6	19/3	8·8	2·1
44/-	35/10½	7·92 b	British Match £1	41/1½	36/7½*	35/10½	6·3	1·9
10/3	8/6¾	3 a	British Oxygen..... 5/-	9/1½	9/0¾	9/-	5·6	1·6
12/3	9/4½	11 b	British Ropes 5/-	11/-	11/-	11/4½	6·2	1·8
13/3	9/4½	37½ b	Butlin's 1/-	10/9	10/-	9/9	5·6	1·2
31/9	21/1½	10 b	De La Rue.........10/-	27/6	24/-	25/3	5·9	1·7
19/-	13/10½	12 c	Drages..............5/-	16/10½	14/10½	14/9	4·1	2·9
25/9	19/6	4 b	Gestetner 'A' 5/-	25/3	22/9	23/6	3·4	2·7
32/9	29/3	6 a	Glaxo.............10/-	31/3*	31/6	32/9	4·2	2·3
46/9	38/9	3 a	Harrisons & Cr. Defd..£1	42/3*	44/6	44/6	6·7	2·0
48/4½	39/-	15 a	Hoover 'A'..........5/-	45/3	39/9*	40/3	7·5	2·1
102/6	85/6	13·27b	Hudson's Bay £1	92/3	95/9	96/3	4·2	2·4
48/6	30/-	4⅙ a	ICT.................£1	44/3	30/6	31/3	7·2	...
20/3	16/-	12 b	Mecca 'A' 5/-	17/-	17/10½	17/10½	6·4	1·0
35/-	27/-	12½ c	National Canning ... £1	29/1½	30/6	31/-	8·1	1·1
21/3	16/-	8 b	Powell Duffryn.....10/-	19/4½	20/3	20/9	5·3	1·9
31/3	21/1½	8 a	Rank Organisation...5/-	24/6	21/6	23/9	(4·4)	2·6
13/1½	11/7½	9½ b	Schweppes 5/-	12/-	12/6	12/7½	5·3	1·6
21/6	18/3	25 c	Sears 'A' 5/-	19/6¾*	20/0¾	21/3¾	5·9	1·6
18/-	15/2¼	11·2b	Steetley 5/-	20/1½	15/9	16/-	4·8	2·0
25/4½	21/1½	18½ b	Thomas Tilling 4/-	23/6*	21/10½	22/1½	5·2	1·9
43/7½	34/9¾	3¾ a	Turner & Newall.....£1	42/-	37/9	37/6	5·7	1·7
36/1½	30/4½	15⅚ b	Unilever 5/-	31/9*	33/10½	31/10½	3·9	3·0
9⅝	8¼	13·25b	Unilever NV ...... 12 fl.	8 7/16	9 7/16	9¼	2·7	3·0
11/7½	8/3	16 b	United Glass........5/-	11/1½	9/6	9/6	7·9	0·8
			MINES					
320/-	238/9	80 a	Anglo-American....10/-	271/3*	296/3	290/-	4·1	1·8
21/10½	17/-	...	Charter Cons. 5/-	19/7½	21/-	20/3	—	...
101/6	86/6	11¼ a	Consolid. Gold Fields.£1	95/9*	98/3	96/-	6·3	2·2
146/3	130/-	20 b	General Mining £1	136/10½	139/4½	138/9	5·0	2·5
116/3	103/1½	120 b	Union Corporation ..2/6	108/9	110/9	109/6	3·7	3·0
153/9	121/3	120 b	Free State Geduld ...5/-	128/9*	145/-	143/9	6·6	1·3
138/1½	101/10½	40 b	W. Driefontein.....10/-	113/9	130/7½	129/4½	5·8	1·9
86/10½	60/-	6¼ a	Western Deep 'A'....£1	78/1½	82/6	79/10½	3·8	4·9
236/3	198/9	160 b	Western Holdings ...5/-	213/9*	230/-	226/3	6·1	1·2
52/3	38/-	8 17/32 a	Roan Selection Tst. ...£1	40/-	47/-	47/-	9·3h	1·2
13/7½	11/3	7½ c	Tanganyika Cons....10/-	12/3	12/3	12/-	6·3	1·2
63/6	54/3	40 a	Z. Anglo-Amer.....10/-	57/9*	60/-	60/-	15·0h	1·2
185/-	142/6	60 a	De Beers Defd. Reg..5/-	151/1½*	175/-	176/3	4·3	2·2
$183	$154	$2·75c	Internat. Nickel ...n p.v.	$167½	$177	$178½	2·6	...
18/10½	14/-	32½ b	London Tin.........4/-	16/10½	16/7½	16/7½	9·6	1·4
30/6	24/3	14⅙ b	RTZ...............10/-	28/7½	30/-	28/10½	6·6	[illegible]
21/6	11/9	15 a	Tronoh 5/-	18/6	15/3*	14/-	(n)	1·0
			SHIPPING					
44/-	20/-	2 a	Anglo Norness........£1	34/3	26/9	29/6	5·1	4·0
20/6	16/9	8	Brit. & Com'wealth.10/-	19/-	20/9	20/6	5·9	1·4
17/0¾	13/9	5 c	Cunard £1	15/3¾	13/9	14/4½	7·0	...
37/7½	29/3	11 c	Furness Withy £1	30/-	36/7½	37/6	5·9	...
32/6	24/6	7 b	P & O Defd...........£1	27/4½	29/3	29/6	6·8	0·6
			TEXTILES					
42/3	33/-	7 b	Ashton Bros..........£1	39/6	33/-	33/-	7·3	1·7
16/7½	12/10½	11½ b	Carrington & Dewh'st 5/-	14/3	14/6	14/7½	6·0	2·0
22/9	18/6	16⅔ b	Courtaulds 5/-	19/-	19/4½	19/1½	6·5	1·7
66/3	50/-	6 a	West Riding Worsted.£1	54/6	54/-	54/-	6·7	1·7
21/10½	17/10½	6¼ b	Woolcombers........£1	19/10½	17/10½*	17/10½	9·8	1·0
12/11¼	10/2¼	6 a	Calico Printers......5/-	10/9¾	11/3¾	11/6¾	(6·9)	2·4
44/9	36/4½	8¾ b	Coats, Patons & B.....£1	40/9	39/0¾	39/9¾	6·8	1·7
12/11¼	9/11¼	9 b	English Sewing Cotton 5/-	10/5¼	10/8¼	11/2¼	6·7	1·8
15/3¾	10/9	11⅔ c	Viyella Int...........5/-	21/-*	11/4½	11/6	5·1	2·0
			TRUSTS & PROPERTY					
24/3	20/-	10½ b	Alliance Trust.......5/-	24/3	22/6	22/6	3·9	1·2
54/3	45/7½	37½ b	BET 'A' Defd.........5/-	49/10½	49/10½	50/7½	6·2	1·7
18/6	14/9	6¾ a	Cable & Wireless....5/-	18/6	16/3	17/6*	3·9	[illegible]
17/9	13/5¼	10½ b	Philip Hill 5/-	15/6	14/9	14/6	5·5	1·2
30/-	25/6	15½ b	Industrial & General .5/-	29/9	28/9	29/9	4·5	1·2
29/1½	23/10½	12½ a	City Centre Props. ..5/-	27/7½	24/9	24/4½	6·2	1·1
62/-	47/9	10 b	City Lond. Real Prop..£1	53/6	61/6	60/6	5·3	1·1
18/9	15/-	5¾ b	Land Securities.....10/-	15/10½	18/6	18/4½	4·2	1·1
30/-	23/7½	10 b	Lond.Cnty.Freehld..10/-	24/9	29/9	29/9	6·2	1·1
			TEA & RUBBER					
49/-	40/6	†22½ b	Cons. Tea & Lands ...£1	49/-	46/-	47/3	18·0	1·5
25/3	15/-	†3 a	Jokai (Assam) £1	20/9	15/-	15/-	13·6	...
3/3¾	2/5¼	12½ a	Highlands & Lowlands 2/-	3/0¾	2/8¼	2/6¾	16·2	1·5
3/9	3/1½	25 b	London Asiatic 2/-	3/7½	3/1½*	3/0¾	19·6	1·7

NEW YORK PRICES AND INDICES

	Aug. 11 $	Aug. 18 $		Aug. 11 $	Aug. 18 $
Atch Topeka ..	33¼	32⅝	Gen Electric ...	103¾	103
Can Pacific	59½	60½	General Foods ..	84⅝	84¼
Pennsylvania ..	42⅞	47	General Motors .	97⅜	98⅝
Union Pacific . .	41⅜	42⅞	Goodyear	46⅝*	50
Amer. Electric ...	41⅝	41¼	Gulf Oil	55⅜	55⅞
Am. Tel. & Tel .	66⅝	66⅞	Heinz	41⅞	41
Cons. Edison . .	43¼	44⅛	Int. Bus. Mach. ..	484	492¾
Int. Tel & Tel. . .	53⅛	55⅜	Int. Harvester...	35⅞	35¾
Western Union ..	41⅝	40⅝	Inter Nickel ...	86¾	88*
Alcoa	68¼	71¼	Inter. Paper	29⅜	30¼
Aluminium	26⅝	27	Kennecott......	109¾	107¾
Amer. Can. . .	48⅞	53	Litton Inds......	94¼	98½
Am. Smelting ...	54⅞	55	Monsanto	85¾	84⅜
Am. Viscose	89¾	89½	Nat. Distillers ..	31⅛	31⅝
Anaconda	65½	63⅛	Pan-American ..	27¼	27
Beth. Steel	35⅝	36	Procter Gamble.	71⅝	71¼
Boeing	79⅞	78¾	Radio Corpn....	36⅝	37
Celanese	84	84½	Sears Roebuck ..	67⅛	67⅝
Chrysler	44½	46¾	Shell Oil	65½	67⅝
Col Palmolive . .	30¼	30	Socony-Mobil ...	88½	88¼
Crown-Zellar . .	48⅞	49¼	Stand Oil Ind...	48⅛	47¾
Distillers Seag ...	34¾	36¼	Stand. Oil N.J...	75¼	75⅞
Douglas	47½	46	Union-Carbide .	58½	63⅛
Dow Chemical .	68⅜	68¾	U.S. Steel	48¼	48¾
Du Pont	235	236*	West Electric ...	52⅛	51⅞
East Kodak	89¾	91⅞	Woolworth	28⅜	28
Ford Motor .	52⅞	54¾	Xerox . .	166¾	168

Standard and Poor's Indices (1941–43 = 10).

1965	425 Industrials	Yield %	Govt. Bonds	Yield %
July 21	89·01	3·05	87·06	4·17
„ 28	88·99	3·05	87·06	4·17
Aug. 4	90·88	2·99	86·85	4·19
„ 11	91·26	2·98	86·75	4·20
„ 18	92·23	2·97	86·56	4·22

425 Industrials :—High, 95·79 (May 13). Low, 86·43 (June 28).

Money Market Indicators

London interest rates tended to ease. A sharp rise in the discount houses' bid gave them 70 per cent of the allotment and lowered Treasury bill rate by 3/32 per cent. Subsequently the Bank did not enforce heavy borrowing at Bank rate. Local authority rates eased by 1/16–⅛ per cent, but other rates remained unchanged. Euro-dollar deposits were fetching ⅛–3/16 per cent less, but Euro-sterling rates hardened by up to ½ per cent. The forward pound strengthened and New York's advantage in covered arbitrage margins was reduced slightly.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Amount (£ million) Applied for	91-Day Average Rate of Allotment	91-Day Allotted at Max. Rate*	Tender Issue Outstanding
1964	91-Day		s. d.	%	
Aug. 14	250·0	444·1	93 0·21	32	3,030·0
1965					
April 15	160·0	377·2	128 9·36	24	2,270·0
„ 23	160·0	280·8	127 11·97	28	2,260·0
„ 30	160·0	373·8	127 6·00	31	2,260·0
May 7	160·0	371·4	126 2·47	41	2,260·0
„ 14	160·0	324·3	125 5·69	13	2,260·0
„ 21	190·0	431·5	125 6·98	19	2,260·0
„ 28	170·0	293·1	127 3·34	61	2,260·0
June 4	170·0	313·1	112 9·31	48	2,250·0
„ 11	170·0	330·9	112 0·99	35	2,240·0
„ 18	210·0	410·9	111 9·57	34	2,210·0
„ 25	170·0	302·4	110 10·02	50	2,240·0
July 2	170·0	402·8	110 0·66	22	2,230·0
„ 9	170·0	310·2	111 9·95	30	2,220·0
„ 16	170·0	317·1	112 4·63	21	2,220·0
„ 23	180·0	327·3	112 6·87	22	2,230·0
„ 30	180·0	332·5	112 7·17	19	2,250·0
Aug. 6	190·0	404·4	112 5·41	31	2,270·0
„ 13	250·0	399·9	110 10·69	71	2,300·0

* On August 13th tenders for 91-day bills at £98 12s 4d secured 71 per cent, higher tenders being allotted in full. The offer for this week was for £210 million 91-day bills.

KEY MONEY AND ARBITRAGE RATES

London **August 18**

	%		%
Bank rate (from 7%, 3/6/65)	6	**Market discount rates** (3 months')	
Deposit rates		Treasury bills ..	5 17/32
7 days' notice:		Bank Bills	5 15/16–6
Clearing banks	4	Fine trade bills..	7–7½
Discount houses ...	4		
Local authorities...	6⅛	**Euro-dollar deposits:**	
3 months' fixed:		7 days' notice ..	4⅛–4⅝
Local authorities...	6½–6⅝	3 months'	4⅜–4⅞
Finance houses	7⅛–7¼		
Call money:		**Euro-sterling deposits:** (in Paris):	
Clearing banks' minimum	4⅜	2 days' notice...	6–6½
Day-to-day spread .	4⅜–5⅝	3 months'	6⅝–7⅛
US dollar exchange		**Forward rate:**	
Spot rate	2·79–2·79⅛	(3 months')	1 13/16–[illegible]
Forward cover (3 months'): Annual interest cost	2 11/32–2 19/32		

New York

Treasury bills:		**Market paper:**	
August 11	3·85	Bank bills	4·13
August 18	3·81	Certs. of deposit.	4·25

Covered Arbitrage Margins

	In favour of: Last week:	In favour of: This week:
Treasury bills	N. York 19/16	N. York [illegible]
Prime bank bills	N. York ¾	N. York 21/32
Euro-dollar/UK local authority loans............	N. York 23/32	N. York 9/16
Euro-dollars/Euro-sterling ...	N. York 27/32	N. York ¼

These covered arbitrage margins show the differentials in rates on the particular sterling and dollar assets, as adjusted for the cost of forward exchange cover, shown above.

We make synthetic polishing agents for any type of toothpaste—DCP Dihydrate for white pastes, insoluble sodium metaphosphate (IMP) for abrasive-flexible pastes, and Luster-Phos* for pastes using the new fluorine carrier, sodium monofluorophosphate.

Ask your local Monsanto representative for free samples. Then make your own tests. Or write directly to Monsanto, St. Louis, Missouri, 63166 U.S.A.

Please send me additional information about: ☐ Luster-Phos ☐ IMP ☐ DCP

Name _____

Company _____

Company Address _____

_____

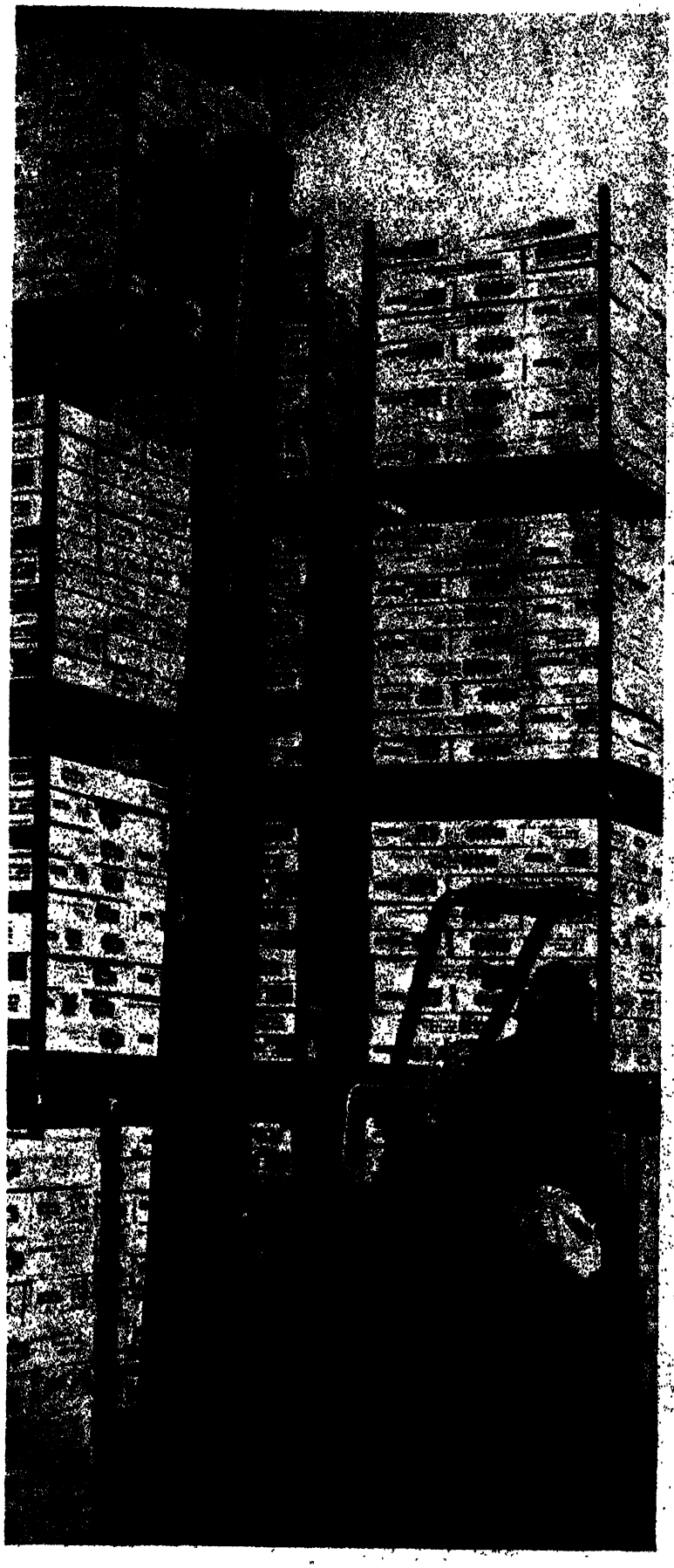
Title _____

Type of Business _____

*Trademark of Monsanto Company

Monsanto

3 ways to clean up in the toothpaste industry—Luster-Phos, IMP, DCP Dihydrate



Just three Lansing Bagnall Fork Trucks Handle 7½ million Oven-Ready Birds Yearly

The modern production line at J. P. Wood & Sons (Poultry) Ltd. and Midwest Turkeys' packing station in Shropshire, delivers fast, 135,000 chickens a week – ½ million turkeys a year. Handling and storing this output involves a 200 yard run from production area to cold storage.

Problem: How to handle and store with maximum efficiency and keep costs right down at the same time.

Solution: Palletisation and 3 Lansing Bagnall Trucks. Two Lansing Bagnall 2000 lb. capacity FOER 5 fork trucks handle transport from production line to store. Working at a fast 13 m.p.h. carrying a pallet load on their forks and pulling two trailers, each carrying four pallet loads, these trucks shift a full hour's production in a single operation.

The highly manoeuvrable Lansing Bagnall 3,300 lb. capacity FRER 3 takes good care of handling in the cold store. It works easily in the 7 ft. 2 in. aisles with the specially designed 42" x 42" pallets. Its specially constructed mast allows a maximum lift of 180", ensuring maximum use of storage space. In addition the FRER 3 undertakes the loading of delivery vehicles from the store.

Result: Just 3 trucks handle the station's entire output, give major reduction in handling and storage costs; involve only 7 men out of the 350-strong labour force.

Lansing Bagnall are Europe's largest manufacturers of electric trucks – Fork Lift and Reach Trucks; Pallet and Stillage Trucks; Towtractors.

Write to us for full technical details quoting reference EG/7

Lansing Bagnall

SPACEMAKERS TO WORLD INDUSTRY

LANSING BAGNALL LTD · BASINGSTOKE HAMPSHIRE · *Telephone: BASINGSTOKE 1010*

THE ECONOMIST □ THIS WEEK

THE PURPOSE OF RECESSION

Britain is, once again, moving back into a stage of economic recession or stagnation. The big question is whether it is to be a recession of the purposeless, drifting type; or a period when a major effort will be made to put the British economy to rights. There are few signs of the latter metamorphosis. It would require some hard and specific decisions about the right sort of policies to adopt in the labour market, in incomes policy, in incentives for innovation **page 759.** The trade unions are not going to be much help **page 765.**

BUSINESS BRIEF: AMERICA GOES BOOMING ALONG

Stepped-up Government spending in Vietnam makes it pretty certain that the American boom will not level off for at least another twelve months. Although there is a smell of inflation about, it is pretty faint by all but American standards **page 794.**

OPEC GETS TO ESSENTIALS

A deceptively quiet resolution that has just come to light from Opec, the association of oil producers, takes the pressure on the international companies a stage further. The demand is for production controls. These would reduce competition in oil marketing; and remove a central element in management decision from the companies' hands **page 800.**

SLOW BOAT FROM JEDDAH

It will take a long time for the truce in the Yemeni war, agreed on in Jeddah by Egypt and Saudi Arabia, to turn into a true peace. But if President Nasser and King Faisal are genuinely going into the peace business they could open up usefully elsewhere in the Arabian peninsula—in Aden for a start **page 761.**

EQUALITY IS NOT ENOUGH

Civil rights legislation, designed mainly for the South, has little to offer the Negroes imprisoned in the ghettoes of big northern cities. Legally they are the equals of whites; in fact they need more than equal treatment if they are to overcome the hideous legacy of the past and the damage which this continues to inflict **page 780.**

THAT COMPANY, FOKKER . . .

The Dutch sell aircraft where the British don't, from small, cramped factories, with apparently inadequate staff, and the customers love it and come back again and again for more. There may even be a lesson here for Britain **page 762.**

NEW POSTURES IN UNTAD

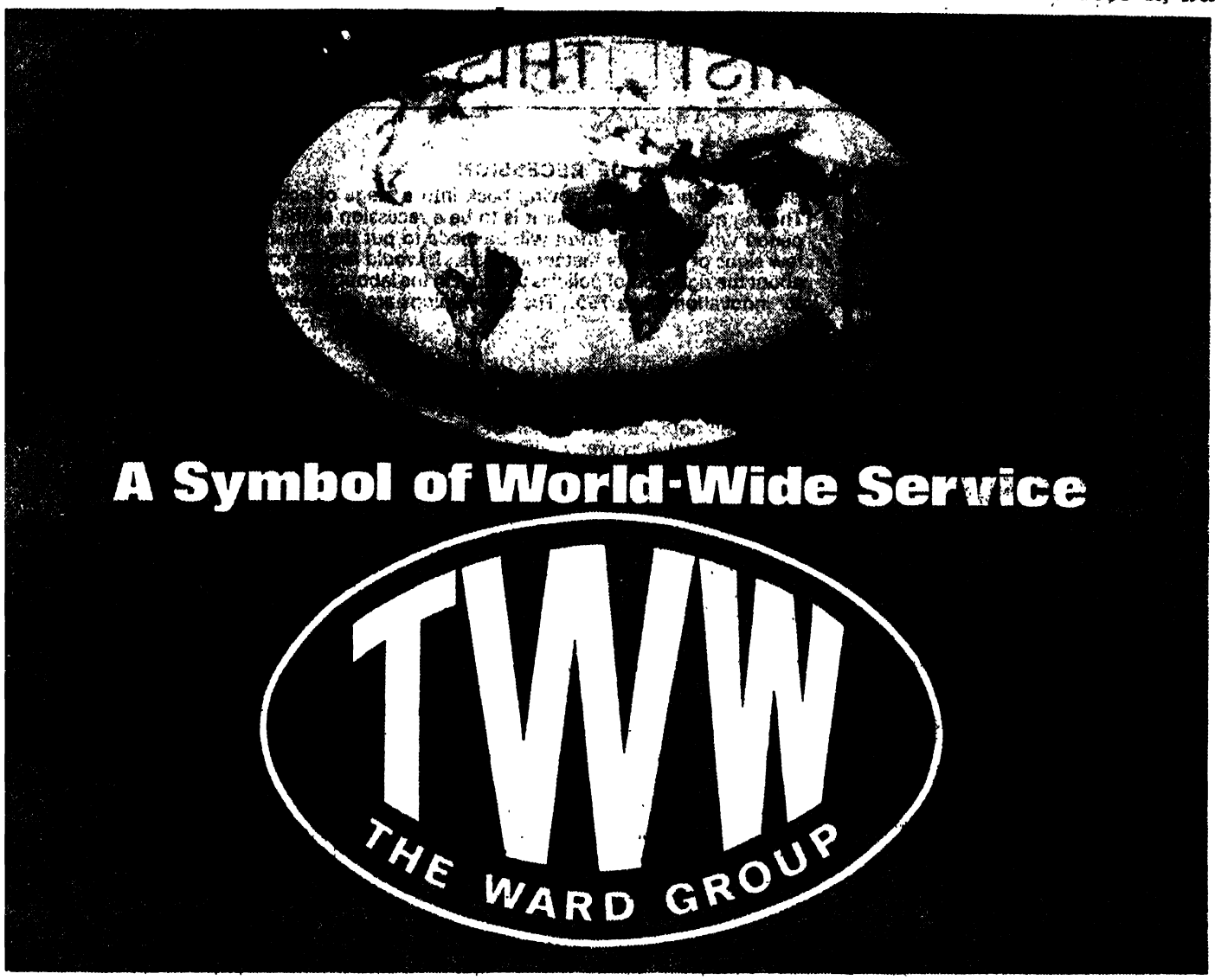
The United Nations Trade and Development Conference is making a slow and muddled start as the poor countries' champion. But it still looks like becoming a power in the world if its secretary-general, Dr Prebisch, can canalize its energies. Its existence has changed quite a lot of things already **page 797.**

MAN OF BAVARIA

Herr Strauss, Germany's former minister of defence, lost his job for "misinforming" the Bundestag. His standing is unaffected among his own voters; his campaign in Bavaria in advance of Germany's elections on September 19th is rolling well. Our special correspondent reports on **page 769.** France's coming election **page 771.** Norway's **page 770.**

ADENAUER'S CHILDREN

The rumpus raised by Dr Adenauer and his allies about a Russian-American "sell-out" of German interests shows that Germany's right wing is now fully back in business. The nationalist conservatives there no longer need General de Gaulle's protective wing. How can the growth of nationalism be controlled? Maybe by a coalition government inside Germany, and understanding by Germany's allies of the reasonable part of the Germans' aspirations **page 763.**



This is the symbol of the Ward Group of Companies. It stands for a consortium of companies whose activities cover the whole industrial world. Whatever your own place in industry you'll almost certainly find that the Ward Group of Companies can help you.

PARENT COMPANY

Thos. W. Ward Ltd., Albion Works, Sheffield. London Office: Chestergate House, Vauxhall Bridge Rd., S.W.1.
Construction Equipment (Sale or Hire) · Electric Motors · Generating Sets · Granite · Factory Planning & Installation · Foundry Supplies · Industrial Plant · Ketton Cement Sales · Machinery (New and Reconditioned) · Machine Tools · Plant for Steelworks and Foundries · Sheet Metal Working Machinery · Railway Sidings and Accessories · Road Materials · Scrap & Non-ferrous Metals · Shipbreaking · Structural Steelwork · Wagon Repairs · Works Dismantling

MEMBER COMPANIES

Abbot Engineering Co. Ltd.
Gear Cutting & Machining Specialists
The Albion (Mansfield) Sand Company.
Foundry Sands
Alexander Metal Co. Ltd.
Refiners & Makers of Non-ferrous Metals & Alloys
Butters Bros. & Co. Ltd.
Tower, Dockside and Derrick Cranes
The Chain Annealing Co. Ltd. Sheffield
Lifting Tackle
George Cooper (Sheffield) Ltd.
Makers of Bolts, Nuts, etc.
Cornish De Lank Granite Quarries Co.
Quarry Owners
Darlington Railway Plant & Foundry Co. Ltd.
Makers of Railway Switches, Crossings & Accessories & Iron Castings
The Deighton Motor Co. Ltd.
Automobile Engineers & Distributors of Cars & Commercial Vehicles
Derbyshire Mineral Mines Ltd.
Makers of Burnt Limestone
Dick's Asbestos and Insulating Co. Ltd.
Makers of Asbestos Products, Thermal Insulation Contractors and Refrigerating Engineers
Elden Hill Quarries Ltd.
Makers of Dry, Tarred & Bituminous Limestone
Ensign Conveyor Co. Ltd.
Makers of Materials Handling Equipment
J. W. Fleur Ltd.
Coach Builders and Repairers
Max Hartley Ltd.
Makers of Sheet Metal Machinery & Fabricators
George Hassall Ltd.
Engineers, Steel Stockholders
The Ketton Portland Cement Co. Ltd.
Cement Manufacturers
Leech, Brain & Co. Ltd.
Sheet Metal Workers & Galvanizers
The Midland & Low Moor Iron & Steel Co. Ltd.
Makers of Wrought Iron; Re-rollers of Steel
North Lonsdale Tar Macadam Ltd.
Road Surfacing Contractors
Frank Parker & Co. Ltd.
Contractors' Tools and Equipment, Protective Clothing
E. H. Pickford & Co. Ltd.
Automobile Engineers & Distributors of Cars & Commercial Vehicles
Railway and General Engineering Co. Ltd.
Makers of Switches & Crossings
The Shap Granite Co. Ltd.
Quarry Owners & Makers of Precast Concrete Products
James Shortland & Co. Ltd.
Nail Manufacturers
John Smith (Keighley) Ltd.
Makers of Overhead & Derrick Cranes
Thomas Smith & Sons (Rodley) Ltd.
Makers of Cranes & Excavators
Steel (Sheffield) Ltd.
Makers of Pure Melting Base & Special Iron
Town Woodhouse Ltd.
Makers of Lathes, Drilling and Milling Machines
Ward Longbottom Ltd.
Suppliers of Industrial & Domestic Fuels & Fuel Oils
Wattons (Metallurgists) Ltd.
Specialists in Crushing & Grading Ferrous Alloys
Widnes Foundry & Engineering Co. Ltd.
Makers of Iron Castings & Steel Fabricators Reinforced Resin Products
John Williams (Wishaw) Ltd.
Makers of Steel Plates, Nails, and Wire Drawers

OVERSEAS COMPANIES

Thos. W. Ward (Belgium) S.A.
S.E.D.I.M., France
Thos. W. Ward (Scandinavia) A.B.
Thos. W. Ward (Australia) Pty. Ltd.

SECOND CLASS POSTAGE FOR *THE ECONOMIST* PAID AT NEW YORK, N.Y.
Published weekly every Saturday

LETTERS

Territorial Army

SIR—Your comment (August 21st) on the protest that the Council of the Territorial and Auxiliary Forces Association has been making about the proposed destruction by the Government of the Territorial Army is ungenerous.

The council has attacked the Government's plan because it thinks that the proposed reserve force will not attract the number of volunteers that the Government itself says that it needs. If the present Government's plan is implemented in full more than 70 of the Territorial Army's 86 infantry battalions will be eliminated, along with 41 of the 45 gunner regiments and 19 of the 20 armoured regiments.

In Scotland at the moment there are 13 territorial infantry battalions. After the reorganisation there will be two. Cuts on this scale mean that the opportunity to serve in the reserve forces will be stopped for all practical purposes in very large parts of the country—particularly the rural areas. The destruction of so much of the Territorial Army will also mean that those volunteers who can continue to serve will find it most difficult to get to their training.

Obviously the council has a special competence when it comes to discussing the problems of recruiting, and a special duty to speak out if they think that the Government's proposals will not even produce the limited number of men that the present Government now wants.

Plainly the council cannot speak with similar authority on the question of the roles for the reserve forces—nor did it seek to. But here there is equally no reason to believe that Mr Denis Healey and his colleagues are absolutely right in their assessment. Labour ministers, for example, were once united in stressing the importance of increasing our conventional forces in Germany—now they seem to believe that they can be cut without harm. It may be that—if they stay in office much longer—Labour ministers will also change their minds about the importance of home defence.

Meanwhile the Territorial Council does, surely, have a duty to remind the Government that although ministers may pick and choose between strategic doctrines the proposed destruction of the Territorial Army is irrevocable. Units which command loyalty, pride and devoted service cannot be dismissed and then reassembled with a casual stroke from a planner's pen.—Yours faithfully, PHILIP GOODHART

House of Commons, SW1

Customs off the Docks

SIR—You refer (August 21st) to the agreement recently reached on public inland container depots. In the course of your comment, having referred to possible depots currently under consideration, you state that "the National Ports Council is less pleased." This, however, does not correctly represent the situation. The NPC is delighted with the success of these discussions, sponsored by the British Shippers' Council and in which the NPC itself took part.

It is true, as you state, that the NPC is shortly to undertake some research into the unitisation of cargo including containers and it is confidently expected that the results of such research will be helpful to any organisation intending to establish a depot. As regards location, while one would expect this to be influenced by the council's own port development plan, the important thing is that depots should be located where they can be most convenient to users, whether importers or exporters, thus contributing to a substantial speeding of cargo handling in the ports themselves and so to the freer flow of traffic generally.—Yours faithfully, ROCHDALE Chairman, National Ports Council

London, W1

Not Just America

SIR—You quote the Los Angeles negro shopkeeper (August 21st) as saying: "This was no race riot; they were just stealing." But having acknowledged this factor in the motivation of the rioters, you fail to conclude that there should be a more just distribution of incomes. You would agree that all men are equal, and that this is a prescriptive phrase, but you do not advocate equality of pay either now or as a long-term aim.

Men in the past have revolted against injustice, and the greatest remaining injustice that divides man from man is this disparity in material rewards. In Britain Mr Wilfrid Harvey earned £270,000 and an old-aged pensioner perhaps £400 a year. And in Los Angeles the disparity in incomes enjoyed in Hollywood and those obtaining six miles away in Watts is, I believe, greater even than this. The Mayor of Los Angeles returned to the riots from a holiday in Greece.

You would agree that this situation is inflammatory, and perhaps as inflammatory as the *ancien régime*. You would have campaigned against the aristocratic privileges, but you do not even refer to the desirability of the abolition of financial privilege.—Yours faithfully, D. A. COLVIN

Coulsdon, Surrey

*

SIR—I must compliment you on your leading article "Not Just America," which is one of the few sane and balanced pieces of journalism I have read on this topic. Too many journalists appear to take the easy way out and engage in destructive criticism of people who, they think, are not doing enough about matters such as the colour problem, teenage indiscipline, and the tendencies to anarchy that threaten the chances we have of making the most of civilised society. Let us have constructive help and ideas.—Yours faithfully,

Broughty Ferry, Angus I. D. SAUNDERS

Vietnam

SIR—Gordon Axon's diatribe in your issue of August 14th should not be allowed to stand unchallenged. I happen to have been in Indochina for nearly four years and saw brutal communist aggression gradually change a peaceful and peace-loving country into a shambles. This is because communism of the primitive (Chinese) variety is not content with the peaceful tasks of economic development. It is an ideology of international hate and aggression which, on its own insistence, must rule or ruin. This is precisely the issue which separates China and Russia at the present time and it is the only reason for the American military presence in Vietnam.

A lot of us are still around who lived through the League of Nations fiasco and who remember the horror and incredulity with which we witnessed the brutal invasion of Ethiopia, the bombing of helpless Shanghai, then Hitler's rape of Austria, Czechoslovakia and Poland, followed by the fall of France and the blitz of London. The observers on the sidelines back in 1935 couldn't get together and no one nation had the guts to stop the initial aggressor in his tracks.

You are wasting your breath, Mr Axon. We are sick of a world in which aggression, subversion, and the big lie again threaten to become coin of the realm. We are proud that the United States is in Vietnam and that it has the courage and the guts to take up a thankless but necessary task. And make no mistake about it, it also has the power to discharge the task.—Yours faithfully,

Ankara R. ELBERTON SMITH

Forward Dollars

SIR—In his recent letter (August 7th), Dr Einzig argues that the Bank of England has exposed itself to an incalculable reserve drain by making massive commitments to deliver forward dollars. He maintains that the authorities "have no means of knowing whether the buyers of the forward dollars they had sold would be in a position to pay for the dollars without having first to buy sterling to that end."

I do not think that Dr Einzig's strictures on the dangers of forward intervention withstand examination.

(1) It is difficult to guess how well the authorities can identify the nature of the parties who are net buyers of forward dollars (via the exchange banks in various centres). But are they likely to be as uninformed as Dr Einzig intimates?

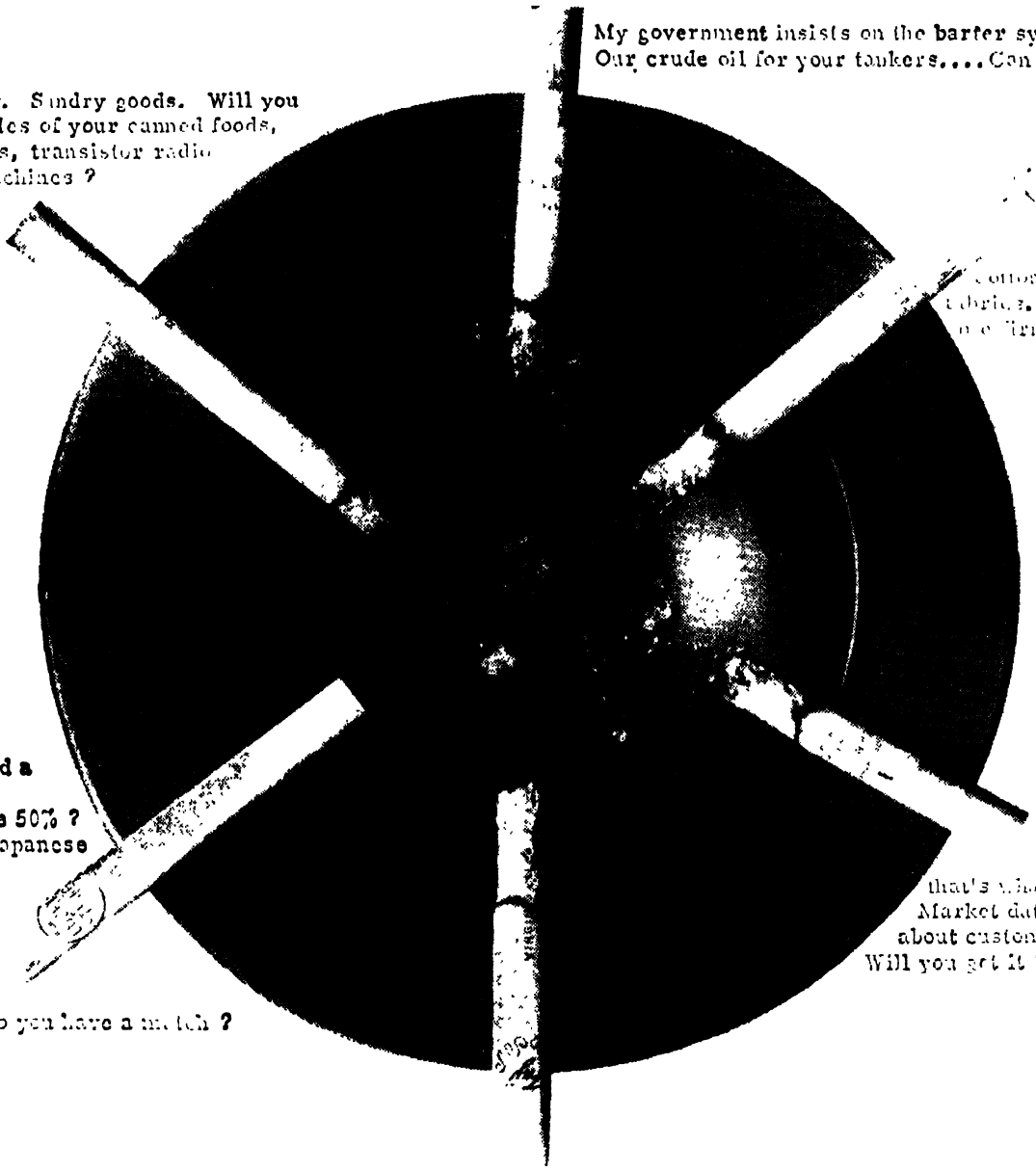
(2) At any rate, if a concern is so shaken that it wishes to make a permanent escape from sterling, would it not prefer to buy spot dollars rather than pay a premium for forward dollars? Of course, if the forward premium is more than offset by the higher level of short-term interest rates in London, the forward route might seem preferable. But if a concern is as panic-stricken as Dr Einzig's argument suggests, would it trust the authorities to honour their forward contracts?

Continued on page 755

My government insists on the barter system. Our crude oil for your tankers.... Can you do it ?

...that's right. Sundry goods. Will you send me samples of your canned foods, chemical shoes, transistor radio and sewing machines ?

...Around three [illegible] million yards a month... mostly silk, cotton and synthetic fabrics. Can you give me firm offers ?



We want to build a steel factory. Can you finance 50% ? Can you send Japanese technicians to manage it ?

Information, that's what I need first. Market data. And what about customs and taxes ? Will you get it ?

By the way, do you have a match ?

YES.

C. Itoh can do it. The range of our services and capabilities would astound you. We have a staff of 7,500 experts in 80 branches and affiliates throughout the world. As one of Japan's largest and most experienced trading companies, we can offer you fast efficient service in any aspect of import, export, triangular trade and joint investment ventures. Why not let your nearby C. Itoh man give you his expert help ? You'll find one in every major city of the world.

International Traders / General Importers and Exporters / Business Consultants

CI

C. ITOH & CO., LTD.

(ITOCHU SHOJI KAISHA, LTD.)

LONDON BRANCH: Kempson House, Camomile St., London, E. C. 3, England Cable: "ITOHCHU LONDON EC3"
HEAD OFFICE: C. P. O. Box 117, Osaka, Japan **TOKYO OFFICE:** C. P. O. Box 136, Tokyo, Japan

Offices in Europe: London, Paris, Hamburg, Düsseldorf, Amsterdam, Milano, Madrid, Beograd. **Offices in other continents:** New York, Los Angeles, Montreal, Mexico City, São Paulo, Buenos Aires, Johannesburg, Beyrouth, Teheran, New Delhi, Bangkok, Singapore, Djakarta, Hongkong, Sydney and other main cities.

Continued from page 753

(3) Dr Einzig states that the Government is "apt to assume that most purchases of forward dollars are speculative." Hence that it "would be tempted to defer urgent measures in defence of sterling." Why is the Government apt to *assume* this rather than judge the state of things as best it can? In fact, the Government's ability to gauge the basic payments trend—and therefore to take appropriate action—ought to be improved if the flow of current spot transactions is *not* dominated by swings in the leads and lags. As your excellent analysis indicates, these can be most effectively dampened by "bold" forward intervention.—Yours faithfully,

HENRY N. GOLDSTEIN
Washington State University

The Concord Charade

SIR—Mr Robert L. Drew (August 21st) attacks my "view" on the responsible opinions held by groups of people "outside" the Concord project.

I expressed no views on such opinions. My letter was solely one of rebuttal of *The Economist's* specific statement that the consensus of opinion among men "close to the Concord" was that Concord would never be built.

My letter was about nothing else and nobody else save the members of those organisations whose staff are, in fact, engaged on Concord and this was twice made clear in the three short paragraphs of my letter.

I do not know how Mr Drew can be aware of my "views" on the wider matters which he raises since I have never expressed any. The original allegation and its denial revolved entirely around the views of people specifically defined by *The Economist* as "close to the project" and Mr Drew's attempt to expand this limited exchange into some kind of implied slight upon all the many people who have views on Concord but who are not actually engaged on it is difficult to follow.—Yours faithfully,

CHARLES GARDNER
Publicity Manager
British Aircraft Corporation
Weybridge, Surrey

SIR—As a hard working airline pilot I have had no time until now to reply to your irresponsible attack on the Concord and VC10 aircraft (July 31st). As a newspaper which should be concerned with aiding technologically advanced industries in Britain and with helping them to expand their exports, you have dealt a serious blow to an industry already reeling from the attacks of the present American-controlled Government. If you had wanted to kill what remains of the aircraft industry you could scarcely have done better.

As a pilot of 33 years' experience, including three years on Boeing 707s, I believe your assessment of the VC10 is as wrong as Sir Giles Guthrie's first reactions. From recent flying in the VC10, I would say that this British aircraft is quieter, more comfortable and safer than the 707, good aeroplane though it is. No-one denies that the 707 and DC8 were built first, nor that they have lower break-even load factors. Far from needing the subsidies, gloomily hinted at by Sir Giles Guthrie, the VC10 has returned margins of around 20 per cent between break-even and achieved factors. In these circumstances the slight gap in break-even factors is of only academic interest. In fact I will forecast that BOAC will standardise VC10s on the shop-window routes to North America, and will make big inroads into the traffic of the other carriers in the process.

The biggest criticism one can make of the British industry is that it seldom manages to offer its products to the airlines well ahead of the powerful American industry. In fact I can recall only the Empire flying boat, the Viscount, the Comet, the One Eleven and the HS125 which really scooped the markets ahead of the Americans.

As surely as the aeroplane succeeded the airship, so the SST will replace the subsonics. Anyone who doubts this would do well to read again all those ill-founded forecasts of a long future on first-class routes for the Electra, Britannia and Vanguard. With the Concord, Sud-BAC have an excellent chance of beating the Americans to the punch, and supplying the airlines of the world with their first 1,000 mph-plus airliners. In the process worthwhile jobs will be found for thousands of Britons, who will almost certainly, otherwise, be unemployed or forced to emigrate to the States.

I trust Sud-BAC and the Ministry, who control the pursestrings, will abandon the timid, prototypes only, programme, and go ahead at full speed to deliver at the earliest moment to Concord's 47 customers.—Yours faithfully,

HOWARD L. FRY
Monkton Combe, near Bath

German Remorse

SIR—According to their own figures, the Germans seem to have been alarmingly overzealous in their efforts to make amends. You state (August 21st) that of 61,761 people charged with war crimes since 1949, only 6,115 had been convicted. The fact that over 90 per cent were found innocent is an indication of the silliness of this continuing vendetta, which is scarcely more justifiable in 1965 than the crimes committed a generation ago for which retribution is now being exacted.

The continuance of these trials only serves to remind the world that there is such a thing as anti-semitism, thus ensuring that anti-semitism will never die; Germany would be doing the Jews a greater service by letting bygones be bygones. Yours faithfully,

Eastleigh, Hampshire D. ARTHUR

The UN off the Hook

SIR—While I agree generally with your article on this subject (August 21st) may I question one point?

You say it is not clear that "for the time being . . . these [peace-keeping] operations must rest on forms of voluntary financing." This judgment does not necessarily follow from the American decision not to press for the application of Article 19 in the present case.

Even the Russians have not asserted that the payment for UN forces could never be an obligation on member-states. In their latest communication to the committee on peace-keeping on this subject, they accept that, though normally the expenses of UN forces should be paid by the aggressor against whom action is taken (as they have asserted in the past), "the Soviet government does not exclude the possibility that in some cases the application of emergency measures by the UN may make it necessary for member states to take part in defraying the expenditure included . . .", so long as the apportionment of costs, together with the creation and control of these forces, is determined by the Security Council. They accept that in these circumstances "the Soviet Union is ready to join with other member states in sharing the expenses of maintaining these forces."

The committee on peace-keeping may, as you suggest, propose that all future peace-keeping operations shall be voluntarily financed. But it may equally decide that in future there should be two kinds of operation: those that are authorised and controlled by the Security Council, the financing of which would be determined either directly by the council or by some committee under it not subject to veto; and those authorised or controlled by some other means, perhaps by the Assembly under Articles 11 (2) and 14. While for the latter financing will probably have to be voluntary, the committee may still propose that operations of the former kind, conducted under a procedure to be generally agreed, will be accepted as "expenses of the organisation" and subject to Article 19.—Yours faithfully, EVAN LUARD
St Antony's College, Oxford

Plans for Farming

SIR—Mr C. H. Clarke argues (August 21st) that "the flow of enterprise and initiative into farming will be clean cut off" by the Peart plan's removal of small farms for "the keen young man" to start on.

Why? Surely the future for anyone who wants to go into farming and lacks the capital to buy or even rent a "viable unit" is to become one of the highly skilled and properly qualified technicians who are going to be needed to operate the large-scale farm enterprises of the future.

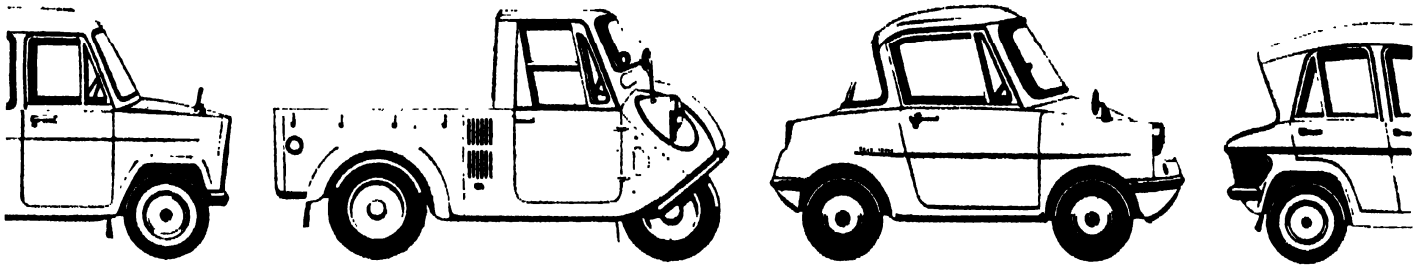
The pity is that at the moment even a debt-ridden do-it-as-Dad-did small farmer (the sort who lost half his hay this summer) thinks himself, and is thought by others, to be a cut above the cowman or mechanic on a big farm—even if the latter really know their job and earn twice as much as the peasant. One unfortunate result is that the farm institutes train their students as farmers rather than as specialist farm technicians—so, as Mr Clarke says, skilled labour is scarce, a ludicrous situation in such an overmanned industry.—Yours faithfully,

Thorverton, Devon JOHN LANDELL MILLS

Murderers

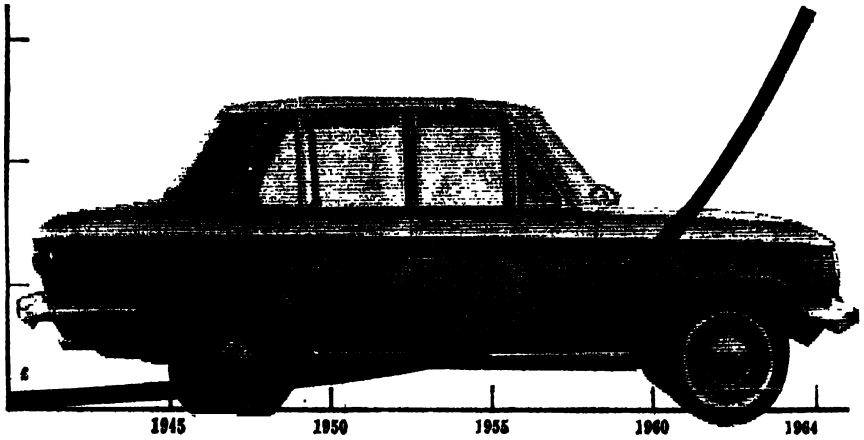
SIR—Basically the only people who have any skill in judging whether a murderer is "safe" to be let out of prison are psychiatrists and skilled social workers. When these people are part of the prison service then there may be some substance in your statement (August 14th) that if a man is considered dangerous by the prison authorities he should not be released.

There will always be risks and authorities should have good advisers, but it is the basic philosophy that controls everything.—Yours faithfully, T. GEOFFREY ROBSON
Stoke-on-Trent



Yes, they laughed when we cast our dies

ANNUAL SALES IN STERLING POUNDS £119,640,000



but now that the die is cast.....

"People will never buy cars and trucks that look like *that*," they laughed.

"Too strange looking. Too small." They told us.

"Not enough chrome." They told us.

Sane and sensible transportation, we insisted. That's what people want.

So we went ahead and cast our dies and started making our strange looking, sane and sensible Mazda cars and trucks.

And the people loved them.

Yes, they loved us in Japan. And pretty soon people started buying Mazdas in Okinawa. And Southeast Asia. And Australia. And South Africa. Until, by last year, nearly a million and a half people had bought Mazdas — and we had set a new annual sales record of over £119,640,000.

And now, we're ready to go after the *big* export market.

We're ready with the most modern production facilities in Japan.

Ready with the most fully computerized vehicle factory in the world.

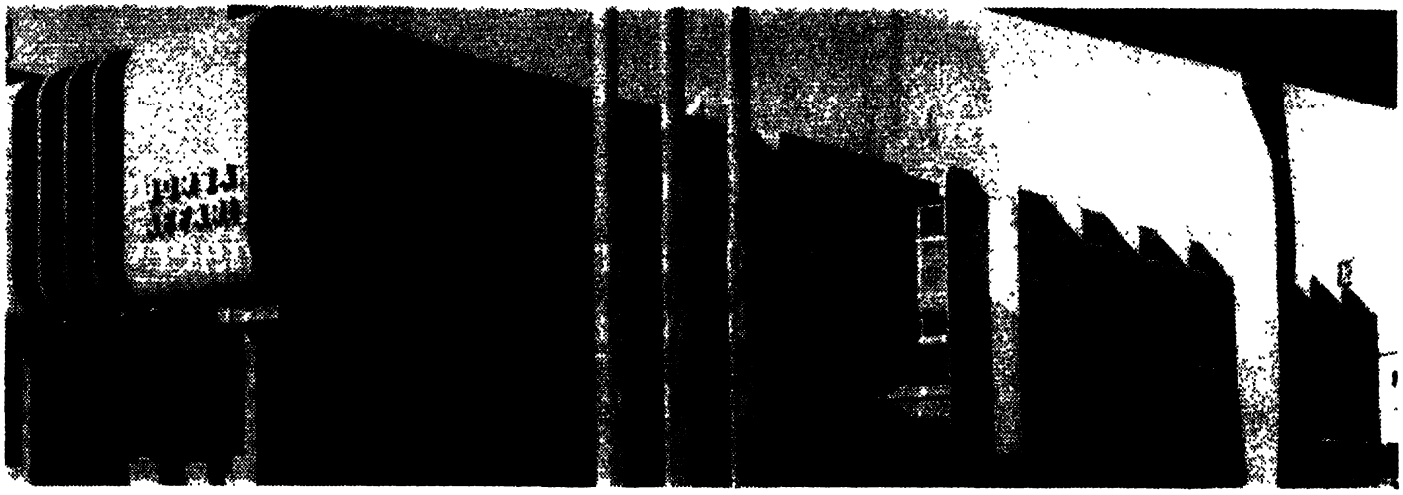
A Mazda Navy of 68 auto transport ships that docks right at the end of the production line.

Ready with a complete line of cars and trucks that are sane, sensible, dependable — and priced very competitively.

And these days, not so funny looking either.

TOYO KOGYO CO., LTD.
Hiroshima, Japan

MAZDA



WHAT'S THE "BUSINESS EXCHANGE"?

It is the centre of all the offices dealing with matters affecting International Trade; organised by the Fair to augment the purpose of the various exhibits by encouraging meetings between buyers and sellers. In the « Exchange » can be found the agents of all the bodies who can give traders and manufacturers what assistance they may need in transacting their business in the most up-to-date and efficient manner.

Every year qualified foreign commercial missions visit the Fair, following a pre-arranged programme of meetings. In this way a wide variety of offers and requests for goods takes place.

The management of the « Business Exchange » knows in good time the types of goods in which the various commercial missions are interested, and thus, availing itself of the wide net-work of information at its disposal, is able to take the necessary steps to assure meetings between those best qualified to bring about the ends in view, and thus playing a leading part in organizing a relationship between supply and demand.

Importers are requested to write to: Fiera del Levante, Direzione « Borsa degli Affari » to indicate the required goods in which they are interested. Please send notice of a possible visit for the purpose of making personal contact during the Fair.

SERVICES

Interpreters, Foreign Commercial Information Offices, Dealing rooms, Secretariat, Banks, Foreign Trade Ministry Representatives, Institute for Foreign Trade, Chambers of Commerce, Transport and Travel Offices,

AT THE LEVANT FAIR
YOU WILL EXPAND
YOUR BUSINESS DURING
THE MOST SIGNIFICANT
COMMERCIAL FAIR
OF SOUTHERN ITALY
29 LEVANT FAIR, BARI
7-20 SEPTEMBER 1965

"Now that Japan has lifted import restrictions on agricultural machinery, how can I get our cultivators on the market there?"

That's one typical reaction to the recent relaxation of trade restrictions with Japan. But foreign businessmen often find that such obstacles as differences of language, customs, and commercial practices prevent them from taking full advantage of Japan's market potential. And they don't want to spend the time and money making a direct survey.

If you have similar problems, you'll find your best solution is to contact a trusted, integrated Japanese trading organization like Marubeni-Iida.

FREE MARKET DATA

With its vast experience and staff of 7000 trading specialists, Marubeni-Iida can provide you with detailed, up-to-the-minute information on the market potential of your products in Japan — from wool fiber to rolling mills.

Once you've decided to enter the Japanese market on a full scale, we will take full responsibility for vigorous and extensive promotion of your product. We will handle processing of all necessary documents and government licenses, as well as shipping, warehousing, and distribution, and arrange for the most favorable payment terms and any necessary after-service. In other words, we make selling in Japan profitable and headache-free.

With 45 domestic offices and 78 overseas branches and affiliates, Marubeni-Iida is thoroughly familiar with trading patterns both in Japan and abroad. Our independence and long-established reputation for efficiency and fair-dealing are your assurance that your interests will be fully protected at all times. Write for further details.

Traders with Global Coverage

Marubeni-Iida Co., Ltd.

LONDON OFFICE: Moor House, London Wall, London, E.C.2. Cables: MARUBENI LONDON EC2. Telex: UK23285, 21716. Telephone: MET 0841-0850
HEAD OFFICE: P.O. Box Central 1000, Osaka, Japan Cable Address: MARUBENI OSAKA. Telex: OS-3261, 3262
TOKYO OFFICE: P.O. Box Central 595, Tokyo, Japan. Cable Address: MARUBENI TOKYO. Telex: TK-2326, 2327, 2328

The Economist

AUGUST 28, 1965

The Purpose of Recession 759
Slow Boat from Jeddah 761
That Company, Fokker 762
Adenauer's Children 763

COMMENTARY 765
Politics; Trade Unions; Belief and Unbelief; India and Pakistan; Parliament; Greece; Hungary; Economics of War.

THE WORLD
INTERNATIONAL REPORT
Bavaria's Man 769
Norway; France; Colombia; Cuba; British Guiana; Bahrein; Belgium.
AMERICAN SURVEY
Equality is not enough 780
GNP—bigger and better; Time to Negotiate?; ARA Smells Sweeter; Goodbye to Lake Erie?; Sharing the sugar cake; Tomatoes squeezed; Turn-table Dancing; Insurance up in the air;

BOOKS
Smethwick—and After 787
LETTERS 753

BRITAIN
Courts and Councils 790
Juster Justice; Politics; Saturday Night and Monday Morning; Stockbrokers and Their Belts.

BUSINESS BRIEF:
America Goes Booming Along 794

797
799
Opec Gets to Essentials 800
INTERNATIONAL 802
American Bond Market; Australia-New Zealand; German Taxes; India; Tanker Freight; Austrian Steel; Norwegian Oil; Libya; Shorter Notes.
BRITAIN 807
The Economy; Transport Policy; Building Restrictions; Post Office; Records; Banking Links; Water; Road Building; Paper Converting Machinery; Shorter Notes.
INVESTMENT 815
ICI's £50 million; Threeway Takeover; Brazilian Traction; Mercury Securities; Redland Holdings; Distillers; Shipbuilding; General Electric.

Stock Prices and Yields 833

Annual Postal Subscription by ordinary mail UK £6; overseas £6 10s.
VOLUME CCXVI - NUMBER 6366

The Purpose of Recession

"PURPOSEFUL" was the most over-used word during last year's general election campaign. It is in danger of being the forgotten word now. Britain is, once again, moving back into a stage of economic recession or stagnation. The big question is whether this is to be a largely purposeless recession, or whether it is to be permeated by a deliberate policy for remodelling the economy.

At present, it looks horribly likely to be a recession of the purposeless, drifting type. This would be a tragedy. There has always been room for intelligent argument whether the things that need to be done to put the British economy to rights could most easily be done during a well-managed period of bold drive for persisting economic growth; or during a well-managed period of brave acceptance of temporarily slack demand. But the big point—which has often been lost sight of in the heat generated by this argument—is that things will not just be put right automatically, either by merely driving fast or by merely drifting about in the waste land as in 1961-62. A corrective stagnation will require a definite policy, designed to utilise the advantages for fundamental correction provided by a period of temporarily slack demand, and designed equally to avoid the disadvantages for fundamental correction that a period of slack demand can (*pace* the most impassioned disinflationists) also bring in its train.

The task should not be approached in a mood of pessimism. It cannot be too often emphasised that Britain has probably the best generally-educated labour force in Europe, working on just about the biggest accumulation of capital equipment per head. It ought therefore to be capable, in this technological age, of one of the biggest economic growth rates in Europe; but it suffers at present because part of its labour force and capital is inefficiently misutilised in the wrong places and the wrong ways. One vital instance of this misutilisation is that Britain needs to divert about 2 per cent more of its productive resources either to producing more exports or to producing goods in substitution for those that are at present imported; perhaps even more important, we need to switch resources into making the things for which export or import demand seems likely to grow most rapidly in the future. A second major failing, connected with the first, is that Britain is at present lagging badly in innovation: both innovation in products and in accepting new techniques.

In the struggle to overcome these failings, there seem to be two main potential advantages from a period of slacker domestic demand that should be exploited by a deliberate policy, and one main potential disadvantage that will need to be avoided. The advantages are that a recession should take some excess pressure off the labour market, and should temporarily reduce the demand for imports. The disadvantage is that a recession could do more than almost anything else further to discourage innovation and risk-taking.

The first requirement for policy is therefore politically tough. The critics who have blamed Britain's economic troubles on "overheating" have always had their best case in saying that it is the labour market which is overheated. So long as the standing stock of unemployed has been only around $1\frac{1}{2}$ per cent of the labour force, even successful and pushful firms have had difficulty in recruiting sufficient new skilled labour to make new things that are just appearing over the horizon with great capabilities for growth, including things that could be sold abroad. The conclusion to be drawn from this is that the economy should

be operated with a larger pool of temporarily unemployed than hitherto. It follows that an efficient policy in a recession should aim at causing the largest possible increase in full time unemployment from the smallest possible cut back in domestic demand ; at present politicians usually talk as if their intention were the exact opposite. One of the Government's toughest objectives in the coming recession should be not merely to push unemployment up to around 3 per cent, but to keep it at not much below that level during the subsequent period of re-expansion ; this should be done by seeing that, when expansion starts again, a ruthless policy of all-out competition ensures that there are constant reinforcements to the pool of fully unemployed from industries that are at present overmanned or outdated and obviously due for secular decline.

A Policy for Unemployment

Hard-faced though this sounds, one of the measures needed is by no means unprogressive. This is a large increase in short-term unemployment pay, put into effect during the recession. If at any one time three-quarters of a million of unlucky workpeople are to provide a service to the British economy by standing temporarily in this revolving pool of 3 per cent or so unemployed, they should be paid adequately for providing it. The need is not merely for the mild schemes of wage-related unemployment pay which Labour is planning ; the need is to bring short-term unemployment pay up much nearer the average industrial wage. Quite apart from its social and economic function in making unemployment more tolerable, a large increase in unemployment pay is one of the best recession-time measures. It means that government funds are then pumped out automatically to the regions with heaviest unemployment, where the unemployment rate might otherwise go wastefully above the 3 per cent level.

But a policy for " long-term correction by recession " also requires that if unemployment is increasing particularly quickly in an industry due for secular decline—characteristically a traditional industry in a declining area—then in no circumstances should anti-recession policies bail out that industry (shipbuilding subsidies are wrong). It is precisely those secularly declining industries that should be encouraged to decline further. The reverse side of this coin is that the worst industries in which to create unemployment, even now, are the secular growth industries. Two industries due for continued secular growth in Britain are construction and motors ; it is madness that two particular present measures of squeeze, the construction cut-backs and the hire purchase restrictions, are discriminately directing unemployment towards precisely these industries. Another point is that, given the need for mobility of labour, the Government should much prefer to see a firm sack one fifth of its workers than put all its workers on a four-day (instead of a five-day) week. Regulations for unemployment pay should be amended to encourage full scale sacking and to discourage short time working. Mr George Brown has shown some signs of recognising this need ; will other ministers?

A Policy for Exports

British imports should fall during the recession, and it is presumed that this will give the balance of payments a breathing space. But, on present trends, imports will then pick up sharply again once we start to re-expand ; and a breathing space between two periods of weakness will not have much point. The whole purpose of recession will be lost unless something is done during it to make British costs permanently lower in relation to foreign costs. On the assumption that a devaluation of sterling has been ruled out, the main road towards securing a relative cheapening of British export prices during a recession must lie through operating a tougher incomes policy than our foreign competitors are following in these years.

Unfortunately there is considerable muddle in some of the debates on whether it should be easier to enforce an incomes policy during a recession than during a period of growth. During a recession employers are less likely to bid up wages to secure or retain workers whom they think they can employ productively, because there will be fewer workers whom they can employ productively. But wage rises caused by bidding earnings up to the level of individual wage earners' rising productivity are the right sorts of wage rises to have. The uneconomic element in wage rises, as in most other price rises, is the monopoly element. This means the trade union element ; a monopoly pricing organisation in the labour field, trying to spread to all its members the rewards given by the market to workers really in demand, is largely what a trade union is. And there is not much comfort in saying that it is possible that during a recession the unions might feel satisfied with 3 per cent annual national rises for all their members, while in a boom they would expect to get a 5 or 6 per cent annual rise ; a 3 per cent rise going against a nil rise in productivity in a recession would actually cause a greater rise in average labour costs per unit of output than a 5 or 6 per cent rise going against a 4 per cent increase in productivity in a period of expansion. It follows that during a recession incomes policy—in the sense of holding down the monopoly element in trade union wage awards—must be tougher than in a boom.

A Policy for Incomes

The question is whether the trade unions may be more ready to accept a tougher incomes policy when there is unemployment about, and when a Labour government is fighting with its back to the wall. On August 2nd the Prime Minister told the Commons fairly specifically what he envisaged the next step in a tougher incomes policy might be:

> If the voluntary system fails, we might have to provide for statutory reference of every claim for increased incomes above the norm to go to an expanded and strengthened Prices and Incomes Board, just as in the absence of voluntary agreement we might have to require a compulsory early warning system for reference to the Board of proposed price increases in cases which seem to require justification.

There is a strong case for taking this step now, before this winter's bout of wage claims begins. It would mean the big innovation of rolling back excessive wage rises by law. But for goodness sake, let the Government not resort to half-measures, like introducing the early warning system for price increases without requiring stern statutory limitation of excessive wage rises. That would waste the proposed *quid* being prepared for the trade unions, without imposing on them the much more vital *quo*.

The dangers for efficiency of a plunge into recession are well-documented. In the past such plunges have sometimes

> intensified our industrial shortcomings by deterring new investment in industry and then, through causing stagnation, under-employment and under-capacity working, discouraging innovation, discouraging risk-taking and enterprise, driving employers and trade associations, . . . on the one hand, and workers and trade unions, on the other, into a short-sighted but understandable reliance on restrictive practices.

The speaker was Mr Wilson, who is now presiding over a Government which has moved back to precisely the same policy. Indeed, in some respects, the dangers of inefficiency in the present recession are even greater than in 1961-62. One of the activities which firms are most liable to reduce when their profits are squeezed is exporting, because exports are often the most unprofitable sector of their businesses, the one most ready for the cost-accountant's axe when the saving of every penny becomes important; other activities liable to be cut when the voice of the economiser is loudly heard are "risky schemes" like investment and innovation, and "long-term schemes" like the retraining of labour and efforts to make better use of older workers (instead of prematurely retiring them). In 1965-66 a bigger margin of many firms' exports is openly unprofitable than was the case in 1961-62, because the sterling exchange rate is more out of line with internal costs and world prices than it was then; and a greater volume of investment and innovation might conceivably be delayed because Mr Callaghan's corporation tax system has reduced the tax value of the investment allowances.

One of the hopes held out by a Labour government was that it might be better at handling these problems: because it might be more willing to direct unorthodox subsidies to encourage the maintenance and strengthening of efficiency and exports, to take purposive action against restrictive practices, to foster retraining in industry, to improve the performance of management through the little Neddies, and so forth. It would be idle to say that great strides have been made in any of these. Mr Wilson and his ministers have proved to be men with short legs. That might provide a strong case for replacing them by men with longer legs and more determination. But two things seem desirable for the country first. One is that the Labour government should introduce an incomes policy, because it might be better placed than the Tories to do so. The other is that there should be an extensive re-education of the Conservative opposition to give it more idea of where it wants to use its longer legs to try to go to.

Slow Boat from Jeddah

The truce in Yemen could light the way to an understanding between the Arab world's two halves

PRESIDENT Nasser of Egypt and King Faisal of Saudi Arabia, who agreed at Jeddah on Tuesday to wind up the war in Yemen, signed their accord as the two sides of a medal. It is a medal that reflects the dual nature of the Arab world. The president, large and positive, in European clothing, personifies the modern movement towards a reformed society and western standards of living. King Faisal, in desert robes, the guardian of Islam in its founding places, represents the source material—the things that make Arabs Arabs. Their two countries can never be twentieth-century partners until the Saudis discard some of their encrusted traditions (as they have started to do and will fully do one day). But they should not be in direct conflict. They complement one another. The Jeddah experiment admits, in a veiled fashion, that they have complementary roles to play.

The agreement envisages a peace in slow motion. After an immediate ceasefire the Saudis are to cut off all their aid to the royalists. Then over a period of ten months Egypt is to withdraw the 50,000 soldiers that it sent to uphold the republicans. A caretaker government will be appointed by "a conference of all national forces and people of authority." A national Yemeni plebiscite to decide on the form of government the Yemeni people want is put off until November next year.

Other trickier details are slurred. It is not clear whether the two powerful underwriters have the full support of their protégés, the royalist leader Imam Badr and the republican President Sallal. The attitude of the latter appears in doubt; but, according to reports from Jeddah, the word has gone out from royalist headquarters that the truce is to be faithfully observed. This suggests that the Imam's relatives, who have been his commanders in the field, do not feel that they have been sold down any political river—as Egypt, in the past, has always demanded that they should be.

Is it really peace? The Yemenis themselves may well ask this. They have been had before. This is the third time President Nasser and King Faisal have agreed to withdraw their troops and their aid to stop the war. Neither previous effort got off the ground. But there are considerable differences in this, the new agreement. The first, in 1963, was made under United Nations supervision; the second, last year, under pressure from other Arab heads of state. This one is self-propelled. The two leaders have signed their own document. No other hand is in it. And they alone, working together, will try to help Yemeni observers oversee Yemen's disengagement. It is an unusual adventure for Egypt and Saudi Arabia to work as a pair. But the signal new feature of the present accord is Saudi-Egyptian acceptance of the fact that the peace must belong to Yemen and that Yemenis must choose their own government by themselves.

Thus at last there is recognition of the one sober truth that has gradually been emerging from the ravages of Yemen's three-year civil war. The Yemenis themselves want a compromise. Ever since, nearly a year ago, certain republicans and royalists tiptoed into Erkwit (in Sudan) to hatch up the very proposals that Egypt and Saudi Arabia approved in Jeddah this week, the compromise spirit has been growing. The republican movement has been rent by dissidents sloping off to royalist hideouts or to parleys in Saudi Arabia. As Egyptian bombs fell on Yemeni mountain villages, there was

almost an equal falling of republican governments in Sana. And the royalists were forced to talk of compromise. Neither Egypt nor Saudi Arabia could go on preserving the fiction that they were in the battle for total victory on behalf of an uncompromisable ideal.

PRESIDENT NASSER had many reasons for speeding last week to Jeddah to try to reduce his liabilities in Yemen. The cost of keeping 50,000 unpopular and bogged-down troops in that country was beginning to tell at home. There is growing discontent in the army ; and even the patient Egyptians cannot stand much more tightening of their belts to offset Egypt's impoverishment through huge losses in foreign exchange. Nor could the president afford to persist, ragardless, in policies that might jeopardise the further deliveries of American wheat to his country ; the need is now greater than ever. He wants to appear in Russia (where he is going this weekend to seek—among other things—more loans) as a man not got down by his troubles. Above all, he could not allow his imbroglio in Yemen to be pored over again by the Arab heads of state who are due to meet in Casablanca on September 13th.

Nor can his former thesis, that in Yemen he has been supporting a good revolution, win the approval it once did. For the Egyptian-led socialist revolution, designed to bind modernising states to Cairo, has proved to be as divisive as the old dynastic feuds of the Arab world. Now Syria's ruling Baathist socialists are showing, if erratically, that two can play at revolutions. In the long run, the challenge on his own revolutionary ground of a Baath party, calling all Arabs, is more inimical to President Nasser than that of the Saudi monarchy—which operates on other ground.

If Egypt and Saudi Arabia could really combine to bring about peace in Yemen, the whole of the Arabian peninsula might profit from it. For it is here in the Arab south, whose heart beats in Saudi Arabia, as opposed to the Arab north which spins round Cairo, that Arab duality has its sharpest edges. And they have to be softened gently. As Yemen has shown, you cannot in one fell swoop, no matter how good your intentions, jerk people from dark medievalism into the blinding light of modern day. But if the Egyptians and Saudis could feel some shared responsibility in the area, progress might be reached on the same sort of dual carriageway as is proposed for Yemen. This applies, as much as anywhere, to the sheikh-versus-townsmen conflict in Aden and the South Arabian Federation.

No one can tell whether Egypt is going to step up its attacks on Aden to compensate itself for stepping down in Yemen. But present signs are not that it will. Egyptian-backed terrorism in Aden and radio campaigns against Britain have somewhat abated of late. This is the hopeful condition that made Mr George Thompson, second-in-command of the Foreign Office, decide to extend his present Middle Eastern trip to Cairo, thus becoming the first British minister to call there since the Suez crisis. Both in Cairo and Riyadh (where he is also going) he may find new thoughts astir about the values of negotiated peace. They will be Arab thoughts, designed to give Arabs the credit of easing Britain out of Aden—no doubt at a quicker pace than is offered by the British promise of independence in three years' time. But a speed-up would be justified if, in turn, Egypt switched off terrorism. The state of emergency which the South Arabian nationalists deplore could then be lifted and a referendum prepared to decide on the country's future. But not as a crash programme. If Yemen is to be an example, it is one of a peace that comes dropping slow.

That Company, Fokker...

Has anyone stopped to think how a small and obscure Dutch company came to sell approaching 350 aircraft during the past ten years?

THREE tired and triumphant managers of the small Dutch Fokker company flew into Amsterdam on Monday with an agreement in their pockets that makes Indonesia the 99th customer for their Friendship airliner ; a fourth director was by then already in the United States arranging replacements for the £17 million worth of British engines and undercarriages that the Foreign Office has refused for the Indonesian order. The Dutch team sweating under the television lights, pale-eyed for want of sleep, were utterly confident of getting alternative American components ; after all, were not the Americans themselves supplying DC 8 jets to the Indonesians ? They were equally confident of getting paid for possibly as many as 140 aircraft to be assembled locally in Indonesia ; arrangements had already been made with the merchant group West Haghe to sell Indonesian commodities in world markets and pay Fokker from the proceeds.

By Thursday, the British Minister of Aviation was back in Whitehall from his holiday, facing pressure from the British companies to get the ban lifted. None of them, Rolls-Royce, Rotol, Dowty or Dunlop, can lightly pass up the chance of sharing £17 million worth of business, but this is not the limit of their concern. The Dutch are very courteous about it, but they do make it quite plain that while they will gladly drop their plans to americanise the Friendship if the British government changes its mind now, or even six weeks from now, there is a point of no return.

Six months from now, it will be too late. There will then be an American-powered version of the Friendship in existence, and it will have a slight but useful edge in speed, range and size over the present aircraft with its 40 per cent of British components. What is at stake in the Foreign Office ban is not merely sales to an Indonesia with whom we may well be on speaking terms when deliveries are due two years from now, but sales to the rest of the world which has an extraordinary fancy for the Friendship. Indeed, the world has been buying it steadily for the past ten years and shows no signs of tiring. Signed orders stand at 337 with more under negotiation ; assuming 350 sold or as good as (excluding those

for Indonesia), then at an average price of £300,000 the British industry's share of this business to date must stand at around £40 million, not counting profitable after-sales business in spares.

None of which explains—and this is important to Mr Jenkins when he contemplates the future for the British industry—how an insignificantly small company, with under 5,000 people, managed from a tiny factory and from pigeon-hole offices, can sustain export sales running into hundreds of aircraft and stretching from Hawaii to the Sudan. It is not so terribly difficult to design an aircraft as honest and unpretentious as a Welsh cob, to get the right compromise between simplicity and sophistication. But it is remarkable for a very small company to give a spares and after sales service for its aircraft to customers in Iceland, Australia or Nepal that is good enough to make them come back for more. It is one of the hard facts of aviation that when two companies offer roughly comparable aircraft, the customer always buys from the bigger in the expectation of better service. Airlines bought Boeing's 727 jet rather than Hawker Siddeley's Trident.

But Fokker has bucked the trend, and so long as one small company can do it, there must be hope for others, including those British and French manufacturers dwarfed and dispirited by the sheer size of American competition. American competition has never worried Fokker overmuch because its aircraft is manufactured under licence in the United States—another instance where the Americans have not been too proud to adopt a foreign design. However, although Fokker always believed the Friendship would sell, success when it came did not follow the expected pattern. The first Friendships were delivered eight years ago to the Irish Aer Lingus; this was the kind of customer Fokker expected. Instead it got orders from the backwoods, the tundra and the jungle. Airlines have come to it that were without pilots, without engineers and probably without ticket clerks. They have all been trained—nominally for free; in fact, the cost of training went on to the price of the aircraft. This is not new; every aircraft manufacturer has to be prepared to give sometimes very extensive technical help to his customers. But there is some reason to suspect that the equable Dutch attitude to race and colour has had a good deal to do both with Fokker's commercial success and with the popularity of its school. The company asks only to see the colour of its customer's money; of the varying competence and educational standards of the "students" that pass through its hands, it merely admits that some need more training than others. To date, it has trained 1,400.

It would be nonsense to say that the secret of selling aircraft by the hundred is to drop sub-conscious colour prejudice and the patronage of the developed, industrialised West for undeveloped countries and their ambitions towards aviation that goes with it. It would be nonsense to suggest that Fokker has a secret at all—other, that is, than a conspicuously spartan approach to overheads and the gilded appurtenances normal in aircraft manufacture. By English or French, not to mention American, standards, its factory is small, cramped, crowded and shabby—except where space, light and lavish capital expense are essential to the aircraft (not to the staff). Thus, its boasted 24-hour delivery of spares round the world is backed up by a computer, and if that fails, by ruthless cannibalising of aircraft on the production line. Its metal bonding shop is superb. And its insurance for survival in an increasingly competitive market, where other manufacturers are demanding more and more government protection, is cautiously to sub-contract bits of its jet version of the Friendship around Europe—wings to Shorts in Belfast (a cunning move, that); parts of the tail to Germany; some bits in France. The Dutch complain peevishly that they wasted all of five months' tooling in an effort to get the French nationalised Sud company to take an active partnership in the new jet, before the French company threw them out; the waste of time hurts—and it was followed by the announcement of an all-French competitor. One can mock the Dutch, beavering away on their cluttered production line, training the Sudanese and the Nepalese, coping with Australian requests for aircraft in technicolour, and cannily placing hostages to the future around Europe while preaching the virtue of a "flexible" approach, including flexibility towards those who kicked you out two years ago. But it is difficult to mock sales approaching £140 to £150 million; particularly when you are British, and in the aircraft business.

Adenauer's Children

How can the growth of a German nationalist right wing be kept under control?

It was too much to hope that the Geneva talks to prevent the proliferation of nuclear weapons could unroll without a blast of criticism from the German right wing. Dr Adenauer, Germany's Methuselah and Jeremiah rolled into one, shouted his forebodings from the Münster rooftops on August 19th, saying that the Americans and Russians were getting together to sell Germany down the river. Herr Strauss, Germany's would-be Ahab, and other aspirants for power like Herr Gerstenmaier promptly endorsed the old man's covert denunciation of Herr Erhard's too complaisant Atlanticism. Herr Erhard's characteristic reply was that Christian Democratic unity was as serene as ever.

Two circumstances give heightened significance to this all too familiar knockabout. One is the sectarian insistence with which the Christian Democrat right wing has reopened the rifts in the party regardless of sense and season. Dr Adenauer and his allies have chosen the wrong target. The American draft for a non-proliferation treaty leaves enough loopholes for German nuclear influence in Nato to dissatisfy not only the Russian government but the British and Canadian ones as well. And their timing is grotesque. The hitherto unbeaten Christian Democrat party could lose the September 19th election precisely because the German voter is fed up with its faction fights. One can only conclude that the dis-

sidents would rather the party lost the election than miss making a point of their own.

The second circumstance is that a German nationalist faction now exists in its own right. Since President de Gaulle disillusioned the Germans this year by showing that he does not give a rap for German national interests, there is no gaullist camouflage to the German right wing's opposition to the orthodox Atlanticists in power in Bonn. For the first time since the war, a conservative group speaks out undisguisedly for the defence of German national interests.

In many ways, this is a natural phenomenon, a sign of recovery from 1945. It was part of the post-Hitler trauma that no one dared put Germany's point of view in the classical manner of Europe's other conservative nationalists, including those in Britain. And in the immediate future there are limits to the influence of nationalism in Germany. The mood of the voters (so long as they remain prosperous) seems firmly moderate. There is an intense awareness of Germany's dependence on America. For all their hopes of seeing their country reunited, most Germans would agree with the remark in America last June of the Free Democrat leader, Herr Mende, that it is " decades " away. Even Herr Strauss assents, as our Bonn correspondent says on page 769. The right wing's immediate issue with Herr Erhard is that the government tacitly acknowledges, and the right does not, that Germany must co-operate in the western search for agreements with Russia even while it yearns for reunification.

These are grounds for not getting panic-stricken about the growth of the right wing. But if a nationalist sense of grievance were to fester, the results could surprise the many people who assume that Germany will always, in the last resort, toe its allies' line. Already the schism in the West caused by President de Gaulle has eroded the framework of Germany's astonishingly calm recovery from 1945. The apparent failure of the chief device for opposing General de Gaulle—the Nato multilateral nuclear force—has left the German desire for nuclear equality with its European allies titillated but unsatisfied. The result is an urgent need to shore up the forces of moderation in Germany.

THIS is partly a post-election job for the Germans themselves. For the first time, this election sees the Social Democrats and the Christian Democrats running neck and neck. The Social Democrats might even win. It is a tempting thought. But, with the conservative nationalists rampant in what would then be the Christian Democrat opposition, the result would be the very situation the father of postwar social democracy in Germany, Herr Schumacher, so greatly feared. A moderate government in power would be harried by an opposition in which the nationalists were making the running.

This is a powerful argument for the " grand coalition " of the two major parties that many German politicians have been aiming at. By keeping the Christian Democrats tied to the responsibilities of office, it would hamper the extreme right, which is anyhow partly made up of old men. The grand coalition would be necessary to carry out urgent internal reforms—on education, taxation and even the electoral laws—which require changes in the federal constitution. It would probably not bring reunification any nearer (though that was the original argument for it) and would be positively harmful if it froze into a permanent marriage of incompatibles like the Austrian coalition. But it would gain time and, unless the German popular mood changed, it could strengthen the moderates during that time. In the heat of the summer's battle it has been out of favour ; the idea could still revive after polling day.

But this does not free the Americans and the British from their own responsibilities for defusing potential German nationalism. Sometimes the Germans' panic about their allies seems neurotic. The fuss on Wednesday over the British decision to replace obsolescent Corporal nuclear missiles in Germany with ordinary artillery is wild. But in other cases the Germans have a point. The nuclear non-proliferation talks in Geneva are a good example of the traps involved. The Germans, now the second power in Nato, feel to a man that they have a right not to be second-class allies. The Russians, by trying to get Britain and America to agree to a formula that would rule the Germans out of any share in a joint western nuclear force, are seeking to keep them in just that second-class status. The British for their part, by claiming a perpetual British veto on such a force, are at present making the same point. Predictably, the Germans are balking.

The Germans, who ratified the Moscow test ban treaty despite thunders from the right rather like the present ones, are not unreasonable in what they ask. They want some degree of influence in Nato's nuclear decisions. But they are not seeking national nuclear power. If they ever did, their present friends would rightly oppose them. The current American proposals in Geneva merely hint that if a politically united Europe came into being the American veto over a joint allied force might be ended—provided at least one of the present European nuclear powers, Britain or France, were a member of the union.

This is remote enough, in all conscience. The mixed-manned force is probably a dead duck. General de Gaulle is threatening even the chrysalis of the European common market, let alone the political union that lies like a butterfly inside it. The American formula that is being attacked simultaneously by the Russians and Dr Adenauer is a far cry indeed from a grant of nuclear power to the Germans.

One wonders whether the Russians are more interested just now in a non-proliferation treaty or in driving a wedge between Germany and America. The western countries are quite right to go on insisting that the only acceptable German relationship to nuclear weapons is one in which the Germans are contained within the framework of a larger western grouping. But to deny them even this would help to persuade the Germans that they will always be semi-pariahs. That would be just the right climate for breeding a new cult of nationalism. Does anyone—least of all Russia—want that ?

Appointments, Business and Personal notices, and other Classified Advertisements: pages 829, 830 and 831

COMMENTARY

POLITICS

Is Erith Philippi?

THE death of Mr Norman Dodds means that the fate of Mr Wilson's government will now rest in the hands of the electors of the industrial East London constituency of Erith and Crayford, just across the Thames from the giant Ford works at Dagenham. Last October, Labour's Mr Dodds got 53.1 per cent of the vote against the Conservative's 32.5 per cent and the Liberal's 14.4 per cent. In the by-election, which will probably be held in the first half of October, a net swing of 10.3 per cent from Labour to Conservative would therefore be needed to lose the seat and reduce the Government's majority in the Commons to one—which is unworkable even by the standards of the present session. Judging from the results of recent local council by-elections and other scraps of evidence, our own very rough guess is that a "typical" net swing against the Government in a parliamentary by-election in a Labour-held seat just now might be somewhere between 5 and 7 per cent. To lose this seat Mr Dodds's successor would have to do even worse than Mr Gordon Walker did at Leyton last January, when he suffered an adverse swing of 8.7 per cent in a by-election that was attended by very circumstances.

At Erith, however, there are also some special, although not quite so special, factors which might militate against Labour. It is precisely in this sort of light industrial area that Labour has been losing support most sharply. It is this sort of area that may be most worried by Mr Callaghan's measures, which threaten full employment and have hit at home loans. There is a danger for the Government that the turnout at the by-election may be lower than the general election's 79.6 per cent, and that those who stay at home will most often be Labour. Mr Dodds, who had represented this constituency since 1945, was a colourful character who had something of a personal following. The most important question of all may be whether the Liberals, who fought Erith for the first time in 1964, will have difficulty in keeping their 14.4 per cent of the vote. If half the Liberals went over to the Conservatives now, the Tories would need a direct swing from Labour of only about 7 per cent to topple the Government.

There have been reports that Mr Wilson may now take the logical step of holding some other by-elections in October, by giving life peerages to invalids among Labour MPs who hold their seats by margins bigger than Mr Dodds's was at Erith. The theory here would be that if the swing against Labour really has mounted to above 10 per cent, Labour will be out after Erith anyway. If it has not, it would be preferable to march into the next session with a need to trundle fewer invalids through vital division lobbies, and —to be brutally blunt—with fewer macabre dangers of possible further vacancies occurring in midwinter when the swing against Labour may be even higher than now.

TRADE UNIONS

Going Nowhere, Slowly

"CONGRESS rejects the Government's present productivity, prices and incomes policy"—thus a resolution for discussion at the Trades Union Congress that opens on September 6th. It was put down by the Watermen, Lightermen, Tugmen and Bargemen's Union. If adopted, it could earn a bargee's reply from Mr George Brown. But there are good chances that it will not be adopted: or that, if adopted, it will be brushed aside by all and sundry as the irrelevance it is. The policies that were criticised (or approved) back in July, when this and other unions were preparing their resolutions, have changed since, and may be changed again by mid-September. The National Plan is expected only a week after the Congress ends. The chosen tactic may be to fudge over the impact of any criticism that the TUC might feel tempted to make of the Government, simply by saying that nobody knows what the Government is about to do. Which is true enough.

It is always difficult to forecast until the last weekend how a TUC will turn out. This Brighton congress may still be an occasion for dramatic speeches of revolt, or alternatively an occasion when Mr Wilson may turn up with a speech to rally the faithful himself. But at present, with ten days to go, Labour's best hope seems to be merely that this annual convention of its trade union arm will be strictly irrelevant to the great economic questions before the nation. There is a depressing side to this. The TUC's annual report makes it plain that the congress will, as usual, have very little bearing on the trade unions' own very real problems of internal reorganisation. The brave move towards union amalgamations that Mr George Woodcock was once upon a time going to lead has run into the sand. Indeed individual trade unions—in the printing industry, for example—seem now to be taking a broader and more statesmanlike view of trade union structure than the TUC itself. The organisation's collapse into futility and irrelevance is nothing short of pathetic.

Hard Striking

A MONSTROUSLY stupid strike has this week made idle some 19,000 of the British Motor Corporation's workers. It arose because a craftsman welder refused to obey an order given by a foreman alleged to have no standing in the craft in question. Its resolution depends on whether or not the management agrees to show the workers' representatives some papers that may or may not prove that the foreman, by service in a technical grade in the navy, has qualified to be regarded as a craftsman. It is hard to conceive of anything more frivolous; or to understand how the managers of a great company can have tolerated the building up of a situation in which man-management in a workshop can be bedevilled by formalism of this kind. The strike is, of course, unofficial. It is also typical. It is clear that the individual trade unions involved are incapable of dealing with it. The TUC, which in its annual report describes its feather-duster technique for implementing an agreement for joint union-management research into unofficial strikes, has no useful role to play here—or elsewhere.

Meanwhile a stack of other less dramatic but, in aggregate, equally damaging little strikes are pestering the motor industry. The official machinery for resolving them has snapped under the strain. In places like Merseyside, where the arrival of new industries and new prosperity had seemed on the point of bringing about the long-awaited change in industrial attitudes, the loom of recession—hitting the motor industry first again—has thrust the workers and their union representatives back on the surly defensive. In union terms, the defences are built of restrictive practices.

Just for good measure, the executive committee of the National Union of Railwaymen has repudiated the agreement reached by its own negotiators with British Railways on the operation of liner trains. (The agreement had meant that, for a trial period of a year, private haulage firms would be allowed to handle goods at the terminal stations between which these trains will run.) The NUR executive is obviously reacting in pique at the long-term package deal on pay and hours offered to them by the railways board—perhaps because they are unable to look as far ahead as the board is trying to. This executive is largely composed of elderly men, many of them due to leave the industry. But if an enlightened and reasonably militant union general secretary like Mr Sidney Greene of the NUR is to be publicly humiliated in this way by his colleagues, whatever hope can there be for a new generation of trade union executives? Mr George Brown would like to see his incomes policy operated by consent, through

the normal channels of elected trade union representation. But when the unions cannot even do their own work with reasonable effectiveness, how on earth can they be expected to do the Government's?

BELIEF AND UNBELIEF

What, No Atheism?

THE mental and cultural barriers between communist eastern Europe and the West are steadily breaking down. Despite Mr Khrushchev's repeated references to God and the Bible, and the communist encomiums on John XXIII, there was until recently one field where the wall seemed as high as ever: the materialist dialectician's horror of religion and idealist philosophy. Now it may no longer be as easy as it was to identify all Russian communists with the pure water of atheism.

Komsomolskaya Pravda pointed out in a recent article that it may be possible for the atheist to answer the Christian only if he finds an emotional as well as intellectual substitute for religion. The writer's suggestion of a new "humanist ritual" to replace the liturgy seems naive beyond words. Ritual without faith ends up in freemasons' antics, which have degenerated into little more than a schoolboy's desire to invent secret signs and passwords. But, in its gawky way, this dawning awareness of the insufficiency of classic materialism is a landmark on the same road as western humanists, both religious and atheist, have been travelling in recent decades.

When a Jesuit like Teilhard de Chardin plunges into Noospheres while an atheist like Sartre grapples with The Other; or when Anglican bishops scatter their flocks with honest to-godless prose while George Orwell writes that the problem of our time is "to restore the religious attitude while accepting death as final"—when this happens, one is in a world where the old conflicts of the believer and atheist have become an anachronism.

Both seem to be reaching out for a reconciliation in some kind of philosophy that recognises science but does not pursue the same ends as science. Other groups on the skirts of Christendom, like the anthroposophists, are pursuing related ideas. An instinctive inkling of this need may well be the basic reason why the ecumenical movement—first a Roman Catholic and then a Christian phenomenon—has nevertheless audibly struck a chord outside the churches. Julian the Apostate and the pagan philosophers may not have been quite so firmly buried by the Christians after all.

INDIA AND PAKISTAN

You Too

NOW who's hitting back at guerrilla bases across truce lines? The Americans, who have received a good deal of well-intentioned advice from New Delhi about Vietnam, have the right to a certain wry satisfaction at the opportunity Mr Shastri has given them of reading him a lesson on the dangers to world peace of Indian retaliation in Kashmir. And Mr Shastri can reply hotly that the danger to peace comes from those who start the aggression, and that the best way of ending it is to hit them where it hurts.

There is no doubt that armed bands have crossed the Kashmir ceasefire line from the Pakistani side. The Indian retaliation so far has been relatively mild. Some Pakistani posts overlooking the Indian route from Srinagar to the Chinese frontier were occupied two weeks ago, but this was miles from the scene of the guerrilla fighting. It seems to have been only this week that Indian troops crossed the ceasefire line where the fighting is. But the risk that both sides' regular troops will be openly involved against each other has clearly increased.

In this situation, the British government and U Thant have both been right not to come out with the fierce denunciations of Pakistan that New Delhi thinks it had a right to expect. As Mr Nehru taught us years ago, those who are not involved and who may have some moderating influence will not usually help things by taking up strident public postures. Not that any peace in Kashmir, agreed to or imposed by total defeat of the guerrillas, is likely to endure. Pakistan may have started the trouble, but the Indians were certainly asking for it, and will be asking for more so long as they refuse to compromise on the substance of the dispute. Armed in the certainty of their own righteousness, and now thoroughly angry, they see less than ever why they should compromise.

PARLIAMENT

Not Enough Teeth

GIVING the Estimates Committee of the Commons an injection of a little more authority, professionalism and expertise, as the Select Committee on Procedure recommended on Thursday, is a useful reform but not exactly a radical one. The estimates committee has had some good reports to its name (or, rather, its sub-committees' name); it has helped to influence policy, as in 1958 over the Treasury's control of expenditure; it has spotted extravagances and absurdities from time to time. But it has not been doing as good a job as it might: see, for example, its latest report on the universities (*The Economist*, August 14th). The sub-committees that do the actual work have jumped about from issue to issue without consistency in surveillance or even in their own membership. The turnover in the committee's full membership (at present 43 MPs of all parties) has been marked enough to demonstrate to everyone its own difficulties and inadequacies. Now this is to be changed. The size of the committee is to go up, and the sub-committees are to specialise in particular fields of government. Defence has long provided an obvious opportunity for this and it is sensible to extend the idea into other departments' bailiwicks. The civil servants will now have to prepare themselves for a few more awkward and better informed lines of interrogation.

But that should not be the end of it. A lazy chairman and long-serving members who have been nobbled by the departments will still put the wrong questions and accept the easy answers. There will be intelligent, thrustful sub-committees and soft, bad ones. This is inherent in the system, as the United States Congress, on its grander scale, continually demonstrates. But at least the new sub-committees ought to have better advisers than clerks of the House and they ought to be supported by full-time research staff. In the estimates committee's fifth special report of the past session, published on April 8th, the request was made for more technical and scientific assistance when the need arose; and in its sixth report, published on the same day, the committee bewailed the fact that when it visited defence establishments abroad it had to travel on the Defence department's vote and even secretarial help was entirely a matter of Mr Healey's courtesy. This kind of subservience is fast getting the House of Commons nowhere. It is true that the committee stands politely by the clerks of the House as perfectly satisfactory assistants. One takes leave to doubt their adequacy. MPs really ought not to have to be saved from themselves; and they cannot look to governments to give Parliament more teeth. What the Commons needs is a number of diligent, and even ambitious, sub-committee chairmen who will insist on getting the kind of permanent, expert staff that they, and all backbenchers, badly need if they are ever to take on the executive and its big spenders as they should.

GREECE

Third Time Lucky?

KING CONSTANTINE'S choice of Mr Tsirimokos as prime minister of Greece—his third attempt to find an alternative to Mr Papandreou—was a bold attempt to spike the guns of the left wing.

EIU Quarterly Economic Review

Malaysia, Singapore and Brunei

Singapore's secession from Malaysia has introduced new uncertainties into S E. Asia How will it affect Indonesia's "confrontation"? Will cooperation between Singapore and Malaysia survive? What are the implications for economic development? These and other questions arising from the Malaysian break up are discussed in our latest review

Details and subscription rates

THE ECONOMIST INTELLIGENCE UNIT

Spencer House 27 St James's Place London SW1
HYDe Park 6711 ext 27
60 East 42nd Street New York NY 10017
Murray Hill 7-6850

Malaya Developments Ltd Sentosa Raya PO Box 494 13/15 Ampang Street Kuala Lumpur 81142/3

National Bank of Pakistan

(incorporated under the National Bank of Pakistan Ordinance No. XIX of 1949, and sponsored by the Government of Pakistan. The liability of members is limited)

ESTABLISHED 1949

Head Office: KARACHI

Total assets exceed Rs. 4,250,000,000

The National Bank of Pakistan, continuing its policy of expansion, has pleasure in announcing the opening on 27th August, 1965, of a new Branch Office at

86 MANNINGHAM LANE BRADFORD 1

Telephone: Bradford 25580

YOUR ENQUIRIES WILL BE WELCOMED BY THE MANAGER

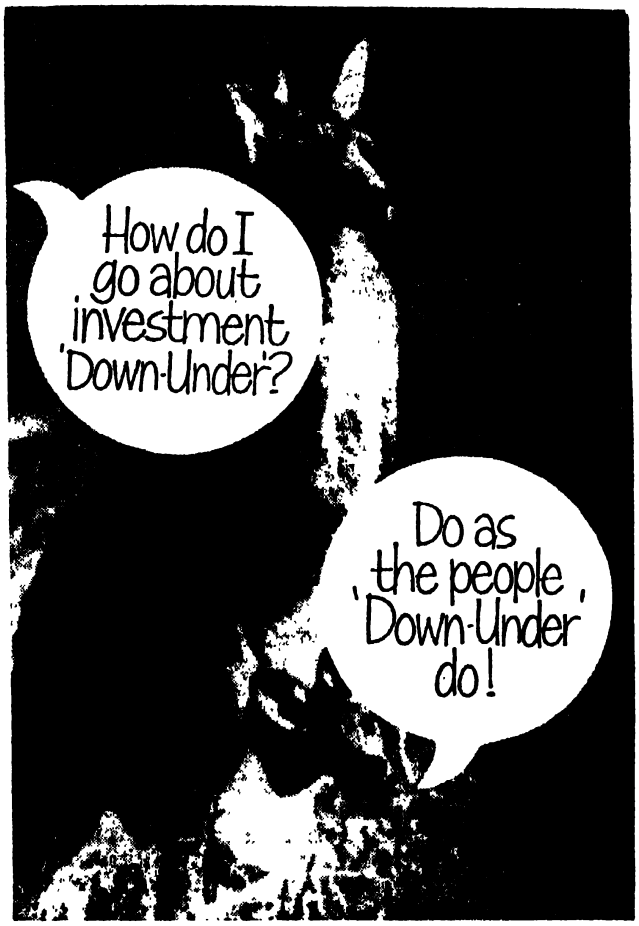
NATIONAL BANK OF PAKISTAN

LONDON·BIRMINGHAM·BRADFORD

NEW YORK·DAR-ES-SALAAM·JEDDAH

CALCUTTA·HONG KONG

485 Branches throughout Pakistan



Choose the Bank with the most experience · services · customers · locations

As the oldest and largest Bank in Australasia, the Bank of New South Wales is in a special position to advise on investment 'Down Under'. For those interested in Portfolio investment it operates a comprehensive service including full Nominee facilities throughout Australia and New Zealand. For companies considering expansion to Australasia and capital investment there it provides the fullest information and all international banking facilities. When you think of investing in Australia's and New Zealand's richly promising future think first of 'the Wales', Australasia's first bank.

More Australians and New Zealanders choose the

BANK OF NEW SOUTH WALES

than any other Bank 'Down Under'

Main London Office: 29 Threadneedle St., EC2 · Travel Service: Sackville St., W1.
Australian Migrant Information Service: Television House, Kingsway, WC2

Mr Tsirimokos is a socialist, who co-operated with the communists during the war and was a founder member of the Centre Union from which he has now dissociated himself. His success in forming a government on August 20th infuriated Mr Papandreou's more extreme supporters; the riots that broke out the same day in Athens were exceptionally violent.

But what really matters to Mr Tsirimokos is whether he can win a vote of confidence in parliament. When he opened the parliamentary debate on Tuesday, he had the support of 36 dissidents from the Centre Union, and on Wednesday the 99 members of the right-wing National Radical Union unanimously pledged themselves to vote for him. He still needed at least another 16 votes. Mr Tsirimokos has made it crystal clear that he will stamp hard on any attempt to repeat the violent rioting of August 20th. This firmness should help him with those deputies who give first priority to stopping Greece from slipping into complete political anarchy. On the other hand, those whose priorities are more personal may reckon that his chances of staying in power are too slim to risk antagonising Mr Papandreou and thereby their chances of re-election. The issue was still undecided on Thursday afternoon.

Mr Papandreou's popularity in the country apparently remains unimpaired. But his behaviour increasingly makes one reflect that overmighty subjects can be just as bad as overbearing kings. He has refused to recognise Mr Tsirimokos as prime minister. And he has chosen to present his case in the market-place, not, as he should have done, in parliament. He may be sincere when he protests that he wishes neither to abolish the monarchy nor form a popular front with the communists. But unless he respects the institutions of parliamentary democracy his protestations are bound to seem either naïve or false. More important even than the fate of Mr Tsirimokos's government is the restoration of political sanity to Mr Papandreou.

HUNGARY

Red, White and Green

When Mr Kadar was replaced as prime minister of Hungary by Mr Kallai last June, he said that the premiership and the party leadership were both full-time jobs and he wanted to concentrate on one of them. This sounded reasonable enough—especially as he chose to keep by far the more important of the two positions. Some remarks that he made in a speech on August 20th suggest that it may also be the more difficult.

Mr Kadar's remarks concerned the need to strengthen the "unity of party and people"—or, to put it more bluntly, to awaken people's enthusiasm for the party. In Hungary the regime appears to enjoy quite a high degree of tolerant acceptance. This is thanks largely to the performance put up by Mr Kadar himself since 1956. But it is also due to the fact that as life has become fuller and more normal for the Hungarians it has been easier for them to ignore politics. Like other east European communist parties with similar problems, the Hungarian party yearns, if not to be loved, at least to evoke something more than passive toleration. "What would be the good," asked Mr Kadar, "of having a few hundred thousand very radical communists, if the rest of the people turned against the ideas of communism?" Stalin would have said it was good enough; it is not today.

Mr Kadar's rhetorical question was addressed to his critics in the party who think liberalisation has gone too far. They see non-party men with good qualifications getting more and more of the best jobs and they fear that the party, rather than the state, will wither away. Their remedy is to reassert the party by reverting to a tougher, more Stalin-like regime. Mr Kadar has set his face firmly against this. Cudgels, he said last week, are all right for keeping people quiet, but useless for propagating ideas. "You must talk, convince and convince still more . . ."

But while the persuaders do their work, Mr Kadar apparently intends to appeal to the national feelings which until now the Hungarian communists have frowned on. "National cohesion for the building of a socialist society" looks like being Mr Kadar's new slogan. The Hungarian communists, he said, will march forward with the red flag in one hand—and the red, white and green national flag in the other.

ECONOMICS OF WAR

Ill Wind Blowing

One usually assumes that war is not a paying business, above all, thank goodness, for those who wage it. But is it true in the flexible industrial world of today? *The New York Times* reported from Lisbon on Tuesday that "independent economists here believe that Portugal gets more out of the war [in its African territories] than she puts into it." It has stimulated industrial activity in a country that has for years been on a tight financial rein and known stagnation as the result.

Many people thought that France would not be able to wage the Algerian war because of the economic difficulties it would cause. But the eight-year war, from 1954 to 1962, coincided with a great deal (though not all) of the French "miracle" of economic expansion in the nineteen-fifties. The Korean war created a worldwide boom and the war in Vietnam, though hardly felt by the huge American production machine, is certainly not having a restrictive effect.

Marxists have always claimed that capitalists need foreign wars to keep their economies going. They do not, of course, if they are managing their economies sensibly. But Keynes once said that if a country was following an over-stagnationist policy it would be worth its while economically—because of the multiplier effects—to set men and machines to work even to dig profitless holes in the ground, preferably in the most complicated technological way. That is precisely what war does. The moral is that even in this twenty-year long postwar boom there have been many countries that could have afforded to follow less stagnationist policies without being belligerent. Portugal is a prime example.

The Economist

AUGUST 26, 1865

THE SOUTH AND THE NEGRO

¶ It is by no means certain that were the negro absent the President might not succeed in the policy he has adopted. The State system of the Union, with all its disadvantages, has this one recommendation that it enables the inhabitants of any one State to organise a society not necessarily identical with that of the whole body. Under present circumstances, the State power shields the subjugated community from feeling its subjugation. They will still manage their own affairs, make their own laws, organise their own army without orders from Washington, and without indeed seeing any officials from Washington, except the collectors of the national taxes. . . . But there is the negro, everywhere present, everywhere free, and everywhere reminding each individual Southerner that he is a conquered man. Upon this point Mr Johnson, and indeed the North generally, will hear of no compromise; and the Government has taken the extreme step—extreme, we mean, in view of the American idea of State rights—of placing all negroes under the sole authority of the freedmen's bureaus, and authorising the military to interfere for their protection. The military, however, cannot be everywhere; the slaves by themselves do not defend themselves; and the irritability of men who see in freedom a loss of property as well as an injury to their pride vents itself upon the unhappy race. The incessant outrages upon blacks lead to incessant conflicts with the garrisons, and thus keep up a state of affairs which looks almost like civil war, but is really only anarchy kept down by military power. Under the Constitution, the President alone has the right of moving Union troops, and the Southerners cannot legally object to the presence of these garrisons; but they must in the end be withdrawn, and then the South, left to itself, will endeavour to devise State laws which shall re-establish slavery under some more complicated but we fear not less oppressive system.

THE WORLD INTERNATIONAL REPORT

Our Bonn correspondent is writing a series of reports on west Germany's elections (polling: September 19th). Here he assesses—

Bavaria's Man

Waldkraiburg, Upper Bavaria

WARNING of the approach of Herr Franz-Josef Strauss is signalled ahead. The band breaks into the River Kwai march and with luck is still blasting away when the hero strides into the hall. People stand up to look. The broad head set deeply between shoulders thrust slightly forwards, the nervous sensing of the atmosphere, evoke for those who know it the moment of the doomed bull's inquiring trot into the arena.

Doomed ? Not this political animal. He trots in in a blue suit crumpled from much travelling ; he is respectably billed on the hoardings outside as " Dr Franz-Josef Strauss, Chairman of the Christian Social Union," and is respectfully introduced—usually to the accompaniment of applause—as " the former defence minister." Having notified the local lions in advance, Herr Strauss is on the platform, shaking the conductor's hand and taking sole possession of the microphone, after the briefest of inaugural courtesies. An hour or so later, as he is driven off to the next rendezvous, few are left in doubt that the one-time defence minister, nowadays moderation in person, is living to fight another day. On September 6th he will be fifty, still a comparative stripling among German politicians.

It seems that he is not expecting to receive an invitation from Herr Erhard or Herr Brandt to rejoin the cabinet in October. But one will come in due course. And he is adumbrating his belief that what goes for Strauss goes for Germany: let there be no pressing for the ratification of a peace treaty until the others are ready to acknowledge Germany's claim to a fair deal ; they will in due course, for the claim is founded upon increasing economic, social and military strength. " Just think," he invites his audience to reflect, " of the reparations we would still be paying had we signed a treaty in 1946."

Herr Strauss lost his cabinet post in 1962 largely through having misinformed—harder words have been used—the Bundestag concerning his part in the arrest in Spain of *Der Spiegel's* assistant editor and military expert, Herr Konrad Ahlers. The circumstances looked suspicious. Only twenty-four hours before the federal chief prosecutor ordered police action to be taken against the weekly news magazine and leading members of its staff a Bundestag committee had cleared Herr Strauss of charges of having used his opportunities as defence minister to enrich himself and some of his old acquaintances through promoting the interests of a particular building company. It was *Der Spiegel* that had brought these charges. Convinced that Herr Strauss was politically dangerous, the magazine had been portraying him for months—and still is for that matter—as a man with all the makings of a despot, inordinately ambitious, incalculably impetuous and utterly unscrupulous.

In these unsavoury circumstances, aggravated by the indignities of unrelenting subsequent litigation, it is only natural that Herr Strauss should be trying to present himself in a more favourable light on the eve of the first general election since his tumble. The week before last he was up in the alien north, as a guest of the fraternal Christian Democratic Union ; Herr Erhard's praises filled the air. Lower Saxony and North Rhine-Westphalia observed *Der Spiegel's* bogeyman to be markedly restrained, tolerant, open and internationally minded, roaring as gently as any sucking dove.

This week Herr Strauss has been on his Bavarian home ground, never far from his own house at Rott-am-Inn : at Straubing, Cham, Waldkraiburg, Isen, Kempten and Kaufbeuren. One might suppose that in such congenial company he would have given more

rein to his nature than he did in the north. Not at all. Well, scarcely at all. Here in Waldkraiburg, for example, he had a fine opportunity to indulge in a bout of jingoism. For Waldkraiburg is a township created since the war—on the site of an ammunition dump hidden in the forest—mainly for Sudeten German refugees from Czechoslovakia. Most of its streets have evocative names such as Egerländerstrasse, Erzgebirgestrasse, and the like. Many of its pubs are regular meeting places for particular groups of refugees from this or that part of the Sudetenland and Silesia. One is advertising a war victims' excursion on October 2nd to Passau, where at a regional rally "we shall be able to tell the new government what we expect them to do."

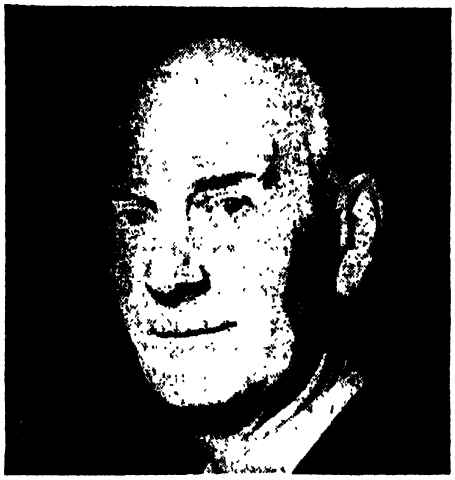
Herr Strauss told his audience that it was thanks to the Christian Social Union (which has a majority in the Bavarian Landtag) and its connections with Bonn that Bavaria had been sufficiently modernised to have been able to resettle the refugees and give them the chance to exploit their traditional crafts in new factories. He held out no hope of a return to the Sudetenland. The Sudeten Germans, he implied, would remain in Bavaria, making glassware, costume jewellery and band instruments. Yet he did promise that when the time came to negotiate a peace treaty the wrong that Germans had done the world would have to be weighed against the wrong the world had done them. That, skilfully tossed in as an aside, raised the warmest cheer of the evening.

In all his election campaign appearances the man with the reputation of having "misinformed" the Bundestag, and of being ready to discard when convenient the practices of a free democracy, is obviously bent on presenting himself as a law-abiding stickler for truth and moderation. In his discussion of domestic policies this is most apparent when he comes to talk of money. Unlike most German politicians Herr Strauss tells his listeners that there is not the slightest justification for hoping for a reduction in income tax in the course of the next four years. His candour goes down well just when the Bundestag is being much criticised for having distributed "election gifts" in its last weeks that will increase public spending in 1965 by an uncovered 6,000 million marks at least.

Not only will there be no reduction in direct personal taxation. It is also as good as certain that the next government, however it may be composed, will be able to make both ends meet only by promptly raising postal and railway charges and increasing the tax on petrol. Herr Strauss is not promising easier times. For technical reasons, he frankly explains, the trend towards industrial concentration is bound to continue. But the government is trying to help medium-sized businesses to survive partly by exchanging the present system of turnover tax, which encourages amalgamations, for that of the "increased value" tax preferred by the European common market.

Herr Strauss similarly advises his listeners not to expect for the time being, or probably even for a long time, any progress towards a satisfactory reunification of Germany. Russia is against it; and that is that. Germany could safely deal neither with Moscow's agent, Herr Walter Ulbricht, nor with his successor. Hope of reunification is to be kept alive in the meantime through cultivating as far as possible the wider Europe envisaged by President de Gaulle. (At nearby Passau the Inn runs into the Danube.) If only the wayward Frenchman would get it right. But he is trying to take on too much for France. And there must be more rather than less European political and economic integration. Only in foreign political decisions should national wishes still sometimes be counted sovereign. Otherwise Germany might be jostled by the rest one day into acceptance of partition and the Oder-Neisse line. In public Herr Strauss is withholding criticism of his old antagonist, Herr Schröder, the foreign minister, whom he has reproached in the past with being inclined to accommodate Washington and London at the expense of Paris and Bonn. For the past 16 years, Herr Strauss maintains, Bonn's foreign policy has been the right one. The Atlantic alliance is vital to Germany, and, as a loyal partner, Germany should give full moral support to America's struggle to prevent the advance of communism in Asia.

Herr Strauss's comparatively small party, which had 60 seats in the last Bundestag (representing 9.5 per cent of the total number of votes cast in the 1961 election) needs to work with the Christian Democratic Union if it is to have any share in the exercise of power. (It is noteworthy that the only two election posters displayed in Rott am-Inn, Herr Strauss's home village, depict Herr Erhard's features, not those of the local hero). And Herr Erhard's and Dr Adenauer's Christian Democratic Union, which had 192 seats in the last Bundestag (35.8 per cent of the vote), needs the Christian Social Union to give the "union" a chance of winning an absolute majority on September 19th. Will the two fraternal parties be strong enough to rule alone together? Or will they require to go into coalition again with the Free Democrats, or, for the first time, with the Social Democrats, in order to stay in power? Both the Free Democrats and the Social Democrats have now declared that they will not serve in a government of which Herr Strauss is also a member. But declamation is the order of the day, and the result of the election highly uncertain. Whatever may happen it is difficult to imagine so able, vigorous and determined a politician as Herr Strauss, with most of Bavaria behind him, being pushed into permanent obscurity and impotence.



Bishop-tongued Mr Gerhardsen

NORWAY

Polling Sept. 12th-13th

Labour in danger

FROM A CORRESPONDENT IN OSLO

After 30 years of almost uninterrupted power, the Labour government of Norway stands a good chance of being defeated at the general election on September 12th and 13th. The alternative is a coalition of the four anti-socialist parties: Conservatives, Liberals, Farmers and Christians. Together these four parties have 74 of the 150 members of the Storting. Labour has 74 too; the other two belong to the small left-wing Socialist People's party.

Two years ago Labour was briefly removed from office by the right-wing parties and the left-wing socialists voting together. The main cause was the row over an accident that claimed more than 20 lives in a state-run coal mine on Spitzbergen, the Arctic island. Mr John Lyng, leader of the Conservatives, formed a government of the four anti-socialist parties. This lasted only four weeks before Labour and the left-wing socialists combined to throw it out; but it showed that the foundation for an alternative government now exists.

Since then the public opinion polls show that Labour has lost support both to the right and to the left. On the left the Socialist People's party has accused Labour of being too capitalistic and too Nato-ish. This seems to have paid off, maybe because the easing of relations between Russia and the West has brought out some of Norway's

residual neutralism. The left-wing socialists could now get about five per cent of the total vote. This may not be enough to get them any new members in the Storting, but they could pull enough votes away from Labour to cost it some of its present 74 seats.

The right-wing parties have counted on what seems to be a general middle-class frustration with costly failures in state-run enterprises, increased bureaucracy and a level of personal taxation that is just about a European record. They might gain three to five seats, even though Labour has a habit of coming up from behind at the last moment in general elections. Things have lately been going badly for Labour's former trump, bishop-tongued Mr Einar Gerhardsen, the prime minister. He is tired, has resigned as party chairman and has said publicly that he will not serve as prime minister if Labour wins. Labour is pinning its hopes on its smooth organisation, and on what it calls "the social dangers of a reactionary take-over government." The anti-socialists are predictably plugging "time for a change."

Whatever the colour of the new government, it will inherit some tricky economic problems. The British tariff surcharge and the tariff discrimination of the six common market countries bite deep into Norway's ability to export. American and British restrictions on capital exports have made it almost impossible to raise long-term money in Wall Street and London for hydroelectric projects and other development schemes. It has also got harder to raise loans abroad to finance export credits. For a country that traditionally imports capital this means slower growth.

Right now the economy is overheated: prices have risen nine per cent between 1963 and the first quarter of 1965. The Organisation of Economic Co-operation and Development lately advised Norway to tighten its budget and cut subsidies. This might be the sensible thing to do—after the election, and with four years to go before the voters have to be faced again by whoever then finds himself in power.

FRANCE

Polling: Dec 5th

The Rivals

FROM OUR PARIS CORRESPONDENT

WITH a hundred days to go to the presidential election on December 5th, France is still politically asleep. The somnolence will be brought to an end, with a bang, by President de Gaulle's next press conference, scheduled this time for September 9th. Yet even as late as that, General de Gaulle is not expected to reveal whether he will stand for re-election or not. Superb tactician that he is, he keeps the suspense up, with M. Pompidou, the prime minister, standing by his side as a potential substitute. General de Gaulle will keep his opponents in the dark until the last possible moment, knowing full well that his decision affects their calculations.

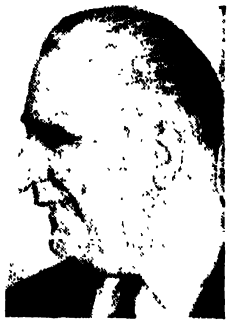
To see this it is enough to watch M. Antoine Pinay, the little man in the bowler hat who, for millions of middle-class Frenchmen, symbolises the stability of the franc. M. Pinay answers journalists' questions about his own intentions with an ambiguity worthy of the general. The reason is obvious. Against General de Gaulle, M. Pinay does not stand a chance. For M. Pompidou he could be a rival capable of pulling away quite a bit of France's conservative vote.

The opposition on the left has no such excuses for playing the game of wait and see. Yet, unbelievable though it may seem at this late hour, the left still has no candidate. It is waiting for Godot. The Socialist M. Defferre, an early starter, was nobbled in June, and has not yet been replaced. Two men are currently tipped as likely to take his place, both of them from the now loose grouping of Radicals. One is M. Francois Mitterrand, a former minister who served under M. Mendès-France; if he plays his hand adroitly, M. Mitterrand may have no communist challenger. The other is M. Maurice Faure, one of the signers of the Treaty of Rome that set up

Mitterrand

Pinay

Faure


Pompidou

the European common market, and well known as an orthodox "European" with "Atlantic" convictions.

The two men illustrate the alternative possibilities that were blurred for a spell by the personality of M. Defferre. One is the possibility of assembling the combined electoral strength of the left, including the communist vote. The other is the hope of reviving a third force that would regroup all the non-communist opponents of General de Gaulle, some of them conservatives hostile to his foreign policy, under one banner. M. Faure is perfectly suited to be the candidate of the so-called "European opposition." But if the idea of such a candidacy has attractions for party leaders and Paris writers, it has little chance at this stage of gaining mass support in the country. M. Mitterrand, on the other hand, if he wants to get communist backing, would have to concentrate his campaign on the home front and outbid the general, if possible, on foreign affairs. However strong their desire for an alliance, the communists cannot support a candidate who is less anti-American (and anti-German) than General de Gaulle.

Foreign affairs may figure prominently in the campaign. They already have an influence on the choice of candidates. Indeed, the present state of gaullist diplomacy, which is in a state of transition, is one of the most powerful arguments for believing that President de Gaulle will ask for a new mandate to carry on his duties. It is on foreign affairs that he will probably concentrate when he delivers his lecture to journalists on September 9th.

He is unlikely to come out with any spectacular proposals for peace in Vietnam. His envoy, M. Malraux, is rumoured to have returned from his pilgrimage to China, the source of his early literary inspiration, without any bright hopes for peace. He is said to have gathered the impression that the Chinese are convinced that history is on their side, that they are ready to take their time and run risks involving their own territory, and that they are glad to see the American colossus bogged down in Asia. All this offers little scope for the matchmaker. Besides, the Indochinese conflict in some ways suits General de Gaulle. Its continuation rules out his major fear, the signing of a new Yalta agreement between the Russians and the Anglo-Saxons. It has also given him one more distinctive stance to strike. He is no longer the outsider sulking at the tentflaps of the coexisters; he is now the man who refuses to be drawn into the cold war.

The fact that the Russians and the Americans cannot get any closer at the moment is particularly useful for General de Gaulle in his European manoeuvres. It was only at the opening of this year that he seems to have discarded his previous strategy based on the Franco-German alliance. It was only in February that he gave the Russians the first vague hints of a possible deal over Germany. This new chapter in Franco-German relations led to the June conflict within the common market and the subsequent French boycott of the Brussels institutions. The prevailing thesis is that,

if the other common market countries lose their nerve and give in once again, France will seize the chance to clip the powers of the European Commission and reduce the supranational features of the European experiment.

The battle of Brussels, and the parallel struggle against the dollar as the West's dominant currency, are taken in Paris as preludes to a bigger confrontation over the structure of the Atlantic alliance. They are part and parcel of General de Gaulle's permanent bid to challenge the American leadership of the western world. Until fairly recently he hoped to achieve his aim by means of the Franco-German coalition. He no longer does. Having just changed course, he probably reckons that this is not the moment to hand over the helm.

Suggestions that General de Gaulle might stand down in favour of his prime minister gained ground this summer with the publication of a book, "*Le Destin Secret de Georges Pompiaou*," by Merry Bromberger. This portrays M. Pompidou as a prodigy predestined for the highest honours. M. Pompidou is clever enough, ran the argument, not to have allowed the publication of such a panegyric without General de Gaulle's blessing; therefore the general must want to build up his heir apparent.

Yet this is jumping to conclusions: even if General de Gaulle were to have resigned himself to the idea of his aide-de-camp as his successor, for lack of a grander figure, he would be in no hurry to hand over to M. Pompidou. He could stand as a candidate in December, get triumphantly re-elected, and then organise a referendum to alter the constitution yet again so as to ensure that the prime minister (like the American vice-president) is the automatic successor to the presidency. Assuming that all this went well, a general election could then be called to guarantee five more years of parliamentary peace and quiet. Then the general would be in a perfect position to ponder over the nature and the timing of the succession.

Doctors permitting, this is the probable time-table. General de Gaulle is doubtless encouraged in his plans by the disarray of the divided opposition. Admittedly, the opposition cannot keep its many heads in the sand for much longer. The election is little more than three months away; the candidates must register eighteen days in advance; the holidays are drawing to an end. Political fun and games will soon begin.

COLOMBIA

Murders Yet to Come

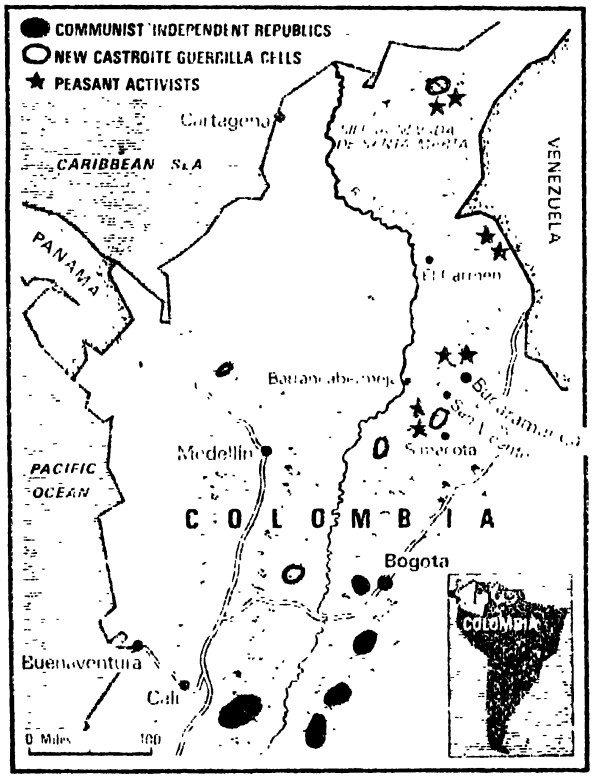
FROM A SPECIAL CORRESPONDENT

San Vicente de Chucuri

COMMUNIST and castroite guerrillas are now operating in several parts of this bloodstained country; they are adding to the depredations done by the rural bandits who still plague a country badly scarred by ten postwar years of tribal warfare between its Liberals and its Conservatives. The first attack of the new bandits came at dawn on January 7th this year, when 27 men and one woman—dressed in olive green fatigue uniforms and berets—attacked and took possession of San Vicente's neighbouring town of Simacota for about two hours.

They robbed a government lending agency of about $4,000 and a beer distributor and a private home of another $1,000. The raiders—carrying automatic weapons and wearing armbands bearing the letters ELN (meaning National Liberation Army)—cut the town's external communication lines and, before departing in the direction of San Vicente, made speeches proclaiming a war against imperialism and oligarchy and announced that they had come "to attack the government and not the people." When they left, three policemen and one child were dead. An army patrol sent to pursue them was ambushed, and two soldiers died. The Simacota attack was Colombia's first major experience of castroite guerrillas. There may be more experiences soon: on August 15th four soldiers were killed and four wounded in an ambush here.

San Vicente and its environs in the department of Santander in eastern Colombia is where, according to defectors from the guerrilla band, the Simacota group trained for eight months before the January raid and where its members are still operating. It is one of several such cells quietly in gestation in Colombia, the viability of which will depend greatly on the capacity of Colombia's divided extreme left, or some faction of it, to mount a nationally co-ordinated guerrilla effort. A cell of communist guerrillas, modelled after Venezuela's FALN (*Fuerzas Armadas de Liberacion Nacional*), seldom numbers more than 20 or 30 men, but lightning actions such as the Simacota attack send shock waves throughout the region and the nation far out of proportion to their military significance. Combined with raids in other parts of the country, such operations are aimed at compounding the tensions created by Colombia's colossal problems of political instability, population growth (2.9 per cent annually), unemployment (roughly 20 per cent), and the migratory inundation of the cities by peasants who during the 1950s sought safety from the *violencia*—the furious



tribal warfare between Liberals and Conservatives that raged for 10 years (1948-58) and took an estimated 200,000 lives.

As a result of the *violencia*, Colombia has been governed since 1958 by a National Front government that has blocked orderly political evolution because, according to 1958 constitutional amendments, the two major parties are to alternate in the presidency until 1974. Participation in the congress and the administrative bureaucracy is to be shared with "millimetric" equality; moreover, the congress can enact laws only with a two-thirds majority. Smaller parties that have arisen since 1958 must run in elections as Liberals or Conservatives or abstain from electoral politics; 70 per cent of the electorate abstained from voting in the 1964 congressional contest.

The dollar value of the peso has halved over the past year, international lending agencies have boycotted the country until it acts to resolve its fiscal and foreign payments problems, and

VICKERS REVIEW

AUGUST, 1965

VICKERS PURCHASE REMAINING ZIMMER CAPITAL

High Polymer to be wholly-owned

An agreement was announced on August 17th 1965 at Frankfurt/Main between Vickers Ltd and the Executors of Herr Hans J. Zimmer, in which Vickers have purchased at par the remaining share capital (32 per cent) of Hans J. Zimmer AG, the chemical and synthetic fibre design complex. Vickers already owned 68 per cent of the Zimmer capital. The agreement was effective from January 1st, 1965.

It was also decided to increase the share capital of the company by a further issue for cash of 15 million DM, at a rate of 110 per cent, bringing the total capital to 26 million DM.

At Frankfurt, Vickers stated: "The fact that we are increasing the share capital will demonstrate that Vickers is proceeding with determination to create a strong, integrated Zimmer Group and is looking forward to the successful operation and expansion of this important part of its international interests."

BIGGER ORDER BOOK

Hans J. Zimmer AG, a jointly-owned Vickers/Zimmer company was originally founded in 1960, with the object of planning and constructing industrial plant, while research and development remained with Hans J. Zimmer Verfahrenstechnik. After the sudden death of Herr Zimmer in 1963, steps were taken to merge the two concerns.

Nearly 98 per cent of the business of Zimmer has always been exported outside West Germany. Dr Klaus Dohrn, chairman of the AG said that the order book for the current year was considerably higher than last year's total orders, and a few larger projects had reached a promising stage of negotiations.

RESEARCH AND DEVELOPMENT

The new agreement means that Zimmer synthetic fibre and chemical process and plant design and know-how will be still more closely linked with the world-wide financial backing and engineering technology of Vickers.

Special processes developed by Zimmer for efficient integrated production, from raw material to end product, have won an international reputation. Over 170 completed projects are now in successful production in many different countries.

These projects include integrated process plants for producing synthetic fibres (nylon 6, nylon 6.6 etc) and also plants for town gas and the treatment of industrial effluent.

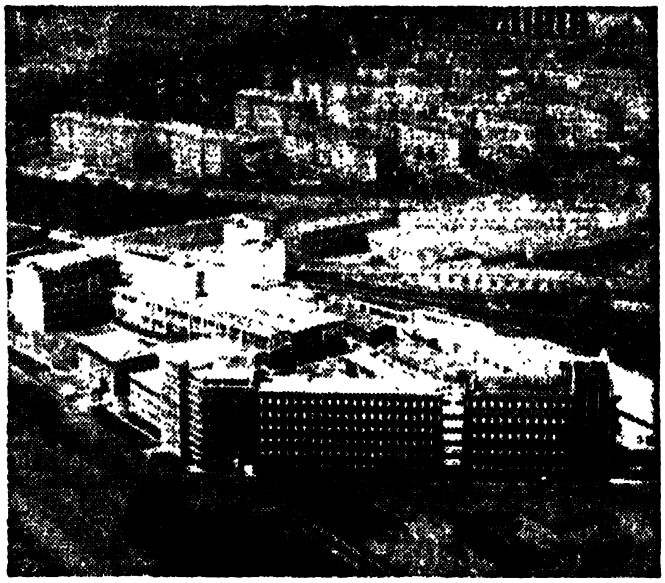
Zimmer will intensify further its research and development activities. The company has purchased the assets and liabilities of Hans J. Zimmer Verfahrenstechnik; it will take over the shares in Syntex Chemie GmbH, which produces and sells catalysts and spinning preparations for synthetic fibres. These companies, together with the existing subsidiaries, Zimmer Apparatebauer GmbH and Elomatic Elektroindustrie GmbH, will now form the Zimmer Group.

BOARD CHANGES

Dr. Dohrn will continue as chairman of the Supervisory Board.

At the same time it was announced that High Polymer and Petro-Chemical Engineering Ltd, previously jointly-owned, will become a wholly owned Vickers subsidiary. The main function of this Company is the selling of Zimmer plants.

In order to strengthen the relationship with Zimmer AG, the Board is being reconstituted and will comprise: Mr J. H. Robbie (chairman), Mr R. Wonfor and the three members of Zimmer AG Management Board, namely Dr Hardung-Hardung, Mr L. P. Harrold and Herr R. H. Lucke.



The Frankfurt headquarters of Hans J. Zimmer AG

IOCO—IMPROVED COMPETITIVE POSITION

The Vickers Limited Main Board have granted to Member Company Ioco approximately £m¼ for new machinery and a new factory arrangement. The effect of this will be to increase considerably the Company's potential in the laminate and coated paper spheres. It will also assist in stabilising costs and in maintaining the very competitive position enjoyed by Ioco at the present time.

Spherocyl Corrector

To assist in hardness testing by the Vickers method on curved surfaces (as distinct from flat surfaces), a convenient circular calculator has been developed at Crayford Works.

Known as the Vickers Spherocyl Corrector, it yields the correction factor which should be applied when Vickers Hardness tests are made on spherical or cylindrical surfaces, and can be used for both convex and concave forms, such as rods, bores, balls and cups.

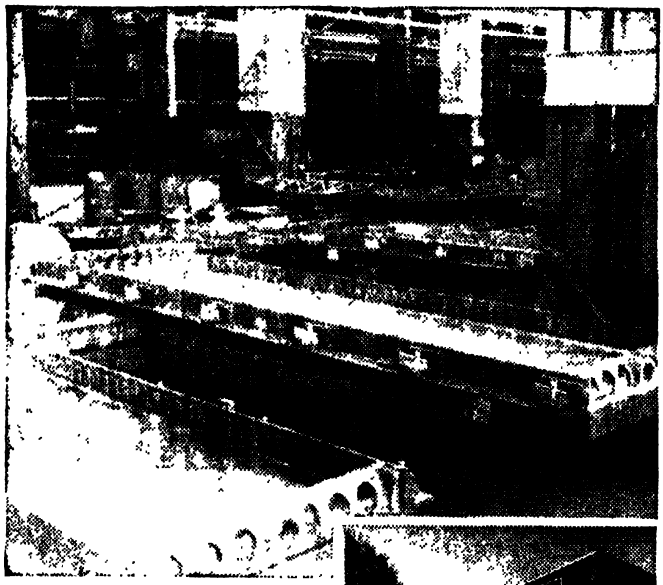
The Corrector is about 11½" diameter to meet the required accuracy; it is soundly constructed in perspex for durability and carries its full directions for use.

Hardness Vickers is an internationally accepted standard.

VICKERS REVIEW

Steel moulds speed home building

Precision-made steel moulds used in the manufacture of factory-built houses produced by John Laing Construction Limited, are made at Vickers North East Works. The moulds, which are worked on a battery system, are employed in the precasting of concrete units used in the industrialised building system, known as 12M Jespersen. The Jespersen system, one of the most efficient, economic and speedy building methods now in use, was developed in Denmark and Laing are the sole UK licensees. Three Laing factories to operate the 12M Jespersen system will have an annual production capacity of nearly 10,000 houses by the end of the year. These are at Livingston in Scotland, Andover, Hants and Heywood, Lancs. Vickers have so far received contracts for approximately £200,000 for supplying the moulds for these factories.



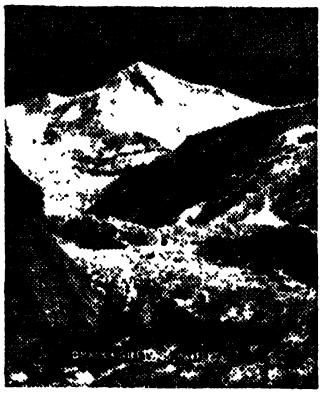
Above: Moulds on the production line at Vickers North East Works.
Right: A typical terrace of five two-storey, three-bedroom 12M Jespersen houses.

Bigger, better diet for RAF expedition

Members of the Royal Air Force Himalayan Expedition, which left Britain on August 17th, will carry supplies of freeze dried foods, processed and packed in the Food laboratory of Vickers South Marston Works.

The food weighs 500 lbs in its fresh form, but only 100 lbs in its dry form. Supplies include fish, fruit, vegetables and cooked and raw meats.

To reconstitute the processed food, the mountaineers will soak it in melted snow.



As a result of this saving in weight, the Expedition will be able to carry extra food, which will both provide a margin for emergencies and produce a greater variety of diet. This is an important consideration. As the leader of a previous Services expedition commented, after using freeze dried food "A little of what you fancy does you good and in adverse conditions palates tend to become finnicky and jaded".

Vickers Food Engineering Division have supplied freeze dried food to some nine previous expeditions, among them Sir John Hunt's successful Everest project and Hillary's trans-Antarctic (South Pole) expedition.

English Steel springs help miners' safety

A new method of mobile roof support has been developed by a firm of colliery engineers, Messrs A. G. Wild & Co. Ltd of Sheffield. It will provide increased protection and safety for miners working in thin seams.

The system known as 35/35 ton Thin Seam Powered Support incorporates vertical hydraulic supports linked top and bottom by laminated steel springs supplied by English Steel Spring Corporation.

The springs, which replace more conventional and bulky beams, combine strength with the least loss in essential working height. Extensive tests have been made to ensure that they have maximum strength without fear of brittle fracture.

NCB EVALUATION TESTS

When compressed level, the springs—there are 11 to each support—carry a load of 8 to 10 tons.

The system is now undergoing evaluation tests by the National Coal Board. Fast cutting machinery requires a form of roof support which can keep pace with it, and withstand the increased pressures. The use of springs promises to ensure this capacity in thin seams.

MAKING DREDGING MORE EFFICIENT

The role of hydraulics in dredging and their contribution towards the efficiency and flexibility of operations are described in the July issue of "Ship and Boat Builder International".

One article by Mr J. R. Fairs, Technical Manager Vickers Marine Equipment Division, describes the development of hydraulic operation of hopper doors, deck winches and other equipment. He points out that because of their great flexibility, hydraulics are being more extensively used in dredging craft.

In another article, Mr J. S. Martin, Vickers Pump Division, discusses the way in which Transverse Propulsion units can increase the manoeuvrability of dredging equipment.

"More and more dredgers", he writes, "are being fitted with this type of equipment to give a degree of manoeuvrability and control never previously obtainable, and the ability to move the bow of a vessel sideways is a facility which dredge masters are fast beginning to take for granted."

ON VIEW AT BRUSSELS

Vickers Hydraulics Division will exhibit 40 or more items at the European Machine Tool Exhibition at Brussels from September 3rd to 12th.

The exhibits will range from small check valves to a complete hydraulic transmission gear, and will reflect the increasing use of hydraulic power in machine tools.

The reciprocal licensing agreement between Vickers Ltd and Racine Hydraulics and Machinery Inc. Wisconsin USA, permits the display of an unusual range of hydraulic equipment. All of the various components shown, 'VSG' from Vickers and items from Racine, Sarasota and Kline, which Vickers are exhibiting, are capable of independent use, or may be combined into various systems, each component meeting the requirements of a specific installation.

BRITISH PRESSES FOR SAAB

Eight large Vickers built power presses are to be supplied to the Swedish firm of SAAB by US Industries Inc. The order, worth over £500,000, was won in the face of tough competition.

The presses will be built at Vickers North East Works, Newcastle upon Tyne under agreement with US Industries and to their design.

They are due to be delivered to SAAB automobile works at Trollhätan in mid-1966, as part of the company's expansion programme to increase capacity for the stamping of car body parts.

Since the beginning of the year, US Industries have placed nearly £1 million of press orders for manufacture in Britain, of which nearly 70 per cent have been for export.

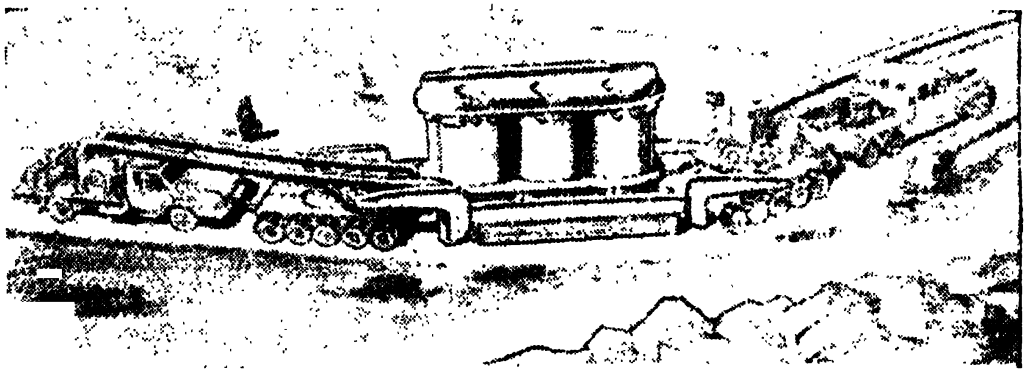
Another Calciner

An order has been received by Vickers-Armstrongs South Africa (Proprietary) Limited, for a calciner to be manufactured locally for the Umbogintwini Works (near Durban) of South African Titan Products. Technical aid will be supplied by Vickers Cement Machinery Division from Barrow-in-Furness.

South African Titan Products (a member of the BTP Group) are manufacturers of TIOXIDE titanium pigments. Their Works were completed three years ago, the first calciner being then also supplied by Vickers.

CUTTING HEAVY TRANSPORT COSTS

Air cushions the load



An artist's early impression of an air cushioned heavy load transporter showing the flexible skirt fitted below the centre of the trailer between the two bogies. In this the vehicle at the rear of the transporter houses the engines which supply the power to maintain the air cushion. The air is fed from this vehicle to the skirt through the ducting shown.

The Central Electricity Generating Board have authorised Vickers to proceed with the design, manufacture and fitment of the air cushion principle to a heavy load transporter vehicle.

This work is being carried out at South Marston Works.

PROLONGED STUDY

The project follows a prolonged study begun in 1962 to see whether the heavy costs of transportation could be reduced by the application of hovercraft equipment.

The CEGB, for example, had to spend some £100,000 on road improvements before the heavy electrical plant and equipment required for Trawsfynydd nuclear power station in North Wales could be delivered. The roads and bridges could not stand up to the heavy loads of transformers and other machinery and had to be specially strengthened.

The study showed that the project was feasible. The conversion scheme includes modifying a trailer by fitting a flexible skirt assembly to it. The skirt is made of woven nylon cloth, impregnated with rubber and can be raised or lowered as necessary.

It is stiff enough to reduce the escape of air, yet flexible enough to conform to changes in the road surface.

UP TO 300 TON LOAD

The air for the cushion is provided by a compressor mounted on a separate tractor located at the rear of the convoy, and carried to the skirt through overhead ducts. The cushion pressure will be varied according to the load and may be up to 4½ lbs per square inch.

The transformer, or whatever heavy load is involved, which may weigh up to 300 tons, is loaded onto a transporter and driven away in the normal manner. On approaching a bridge which can only take a lesser load, the skirt is lowered and the air cushion switched on. The cushion distributes the load more evenly over the whole surface covered.

In this way a 50 foot single span bridge which could normally take a load of only 150 tons will be able to take 215 tons.

The development of this project has been marked by very close co-operation between Vickers, the CEGB, the Ministry of Transport and road haulage operators.

SELF-ADHESIVE GLASS TAPE

A new development by IOCO Ltd should find many applications in rotating electrical machinery, transformers, cables and in the general electrical industry, because of its ease of application.

It is a pre-impregnated self-adhesive glass tape or cloth, which can adhere to itself during the winding of electrical assemblies. It is reasonably simple to handle and only requires the final assembly to be given a stoving cycle.

It is available in thickness of .005" in both bias cut, panel form, and straight cut as tape or cloth, up to 36" wide, and is supplied interleaved with polythene.

Maiden voyage of Beaveroak

On September 1st m.v. *Beaveroak* is due to depart from Royal Victoria Docks, London, on her maiden voyage. Built by Vickers for Canadian Pacific Steamships Ltd, *Beaveroak* is the first of a new class of Canadian Pacific freight liners and will provide a fast year-round service between Britain, Europe and Canada. She has a specially designed hull to withstand ice conditions and will be able to sail up the St. Lawrence to Quebec and Montreal in the winter. *Beaveroak* has a service speed of 16 knots and incorporates a high degree of automation and remote control. She is equipped to carry both dry and refrigerated cargo, with special handling equipment designed to facilitate a quick turn round.

CODING SYSTEM AIDS MEDICAL EQUIPMENT DELIVERIES

Oxygenaire of Basingstoke have an unequalled reputation for fast delivery when medical equipment is needed in an emergency. A special parts coding system has been developed to facilitate the smooth and rapid processing of urgent requirements which may be received by telephone, telegram or cable. Thus, urgent medical equipment and parts leave immediately. To help maintain this service drivers are constantly standing by, and four deliveries to London Airport in a night to fulfil urgent overseas requirements are not uncommon. The picture shows a baby incubator being delivered at night recently to a London hospital. Oxygenaire operates within Vickers Medical Division.

CRAVEN HOUSE INAUGURATED

Craven House, the new five floor office building at Barrow was officially inaugurated on 20th July by Maj. Gen. Sir Charles Dunphie CB, CBE, DSO, Chairman of Vickers Limited. The building, owned by Vickers-Armstrongs Barrow Engineering Works, will also house a £310,000 ICT Ferranti Orion computer. Special provisions have been made for this on the ground floor, in conditions of complete temperature and humidity control.

Weybridge's 50th anniversary

The fiftieth anniversary of the first aircraft delivery from Weybridge has just been celebrated. The first aircraft built at Weybridge, one of a batch of planes for the War Office, was delivered on 17th August 1915.

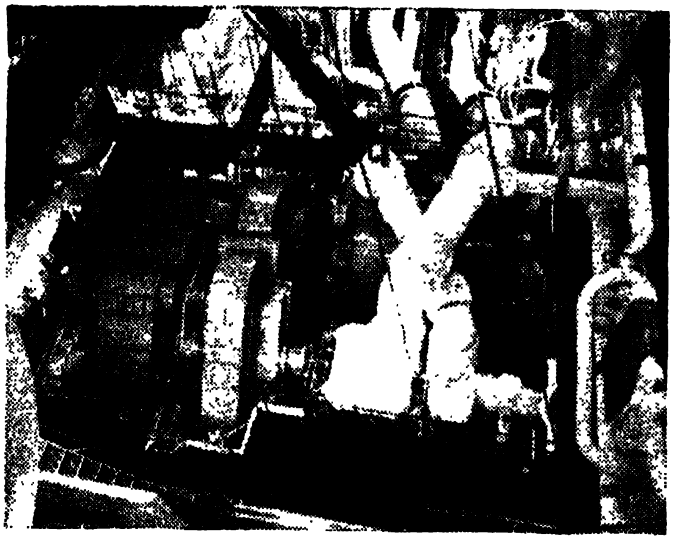
Vickers interests in aviation go back even further. In 1894, Sir Hiram Maxim, partner in Vickers, Sons and Maxim, constructed a flying monster, mounted on rails and powered by two steam engines. This machine, which he erected in Baldwyn's Park at Dartford, had a wing span of 100 feet, was 68 feet long and 32 feet high and weighed 7 tons, when fully loaded. It carried a crew of three.

The pioneering tradition has been carried on down the years and Vickers Weybridge were associated with a number of Aviation "Firsts". Among these may be listed the first non-stop Atlantic flight by Alcock and Brown, the first non-stop flight to Australia by the Smith Brothers, and the trail-blazing flight from London to the Cape by Cockerill and Broom.

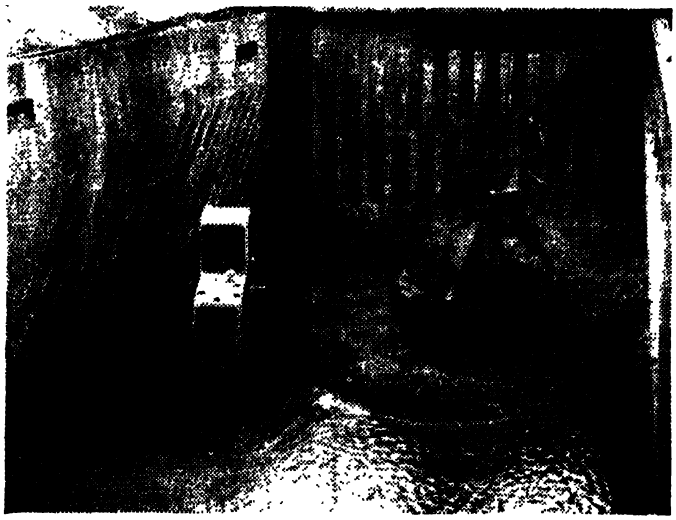
More recently Vickers pioneered geodetic construction and variable geometry designs.

Today, this same pioneering tradition is carried on through Vickers interests in the British Aircraft Corporation.

An early Vickers monoplane, pictured above, had a frame of high tensile cold-drawn weldless steel tube, which was proof against warping, swelling and splitting. As a descriptive brochure issued at the time points out "A steel frame is far more uniform in quality, strength and reliability than a wooden one".



A view of the propulsion machinery in the first European-built 100,000 ton tanker* British Admiral, *built by Vickers for BP Tanker Company Limited. This Pametrada-designed machinery was built at Vickers-Armstrongs Barrow Engineering Works and installed by the Marine Installation Division of the Shipbuilding Group.



A Michigan Model 35 All Wheel Steer shovel is shown in the photograph above operating in the hold of a ballast ship owned by F. Bowles and Sons Limited. The machine was supplied to Metropolitan Sand and Ballast Limited by Jack Olding and Co. Ltd., a Vickers company. It will be used to trim holds of cargo vessels which bring sea-dredged aggregate from the North Sea; this operation which previously took up to 3½ hours will now be completed in approximately 1 hour.

It is the unique advantages of All Wheel Steer that enable the Michigan 35AWS to manoeuvre with ease in the confines of a ship's hold and recover material which is inaccessible to the unloading grab. For this purpose the machine will be lowered from the dockside at every turn-round.

1886 GUN

An unusual request from the Royal New Zealand Army Workshops at Trentham was received recently at Vickers House. They reported that they had in their possession two 6 in Breech Loading (E.O.C. Pattern) Armstrong disappearing guns on Mark 2 Hydro-Pneumatic mountings. They wished to restore one of them for historical purposes and asked for details of the guns which were dated 1886.

Vickers North East Works records showed that originally thirteen guns were ordered by New Zealand in April 1885. These guns had a coastal defence role and in those days could fire a projectile weighing 100 lbs a distance of 8000 yards.

INDUSTRIAL MARKETING CONFERENCE

The Industrial Marketing Association (Southern Branch) is shortly commencing a series of monthly discussion meetings dealing with problems of marketing goods and services to industry at home and overseas.

The IMA was formed five years ago and is principally a discussion forum devoted exclusively to the requirements of the industrial marketeer as opposed to those engaged in the marketing of consumer products.

The first meeting, entitled: 'Industrial Marketing a profitable conception' will be held on September 7th at the Millbank Tower Conference Suite.

The suite is available for meetings and films, most facilities being provided, and a first class projection room is available. Provision is made for television receivers. The spacious foyer has bar facilities and parking space is available in the evenings.

AT YOUR LOCAL CINEMA

Picture-goers in many British towns and cities will be able to see the latest Vickers film 'Birth of a Giant', which depicts the launching of the BP tanker, '*British Admiral*', at Barrow-in-Furness earlier this year.

It is an Eastmancolour sound film which runs for 12 minutes. In documentary technique, it shows the arrival of the many thousands of workers, guests and VIP's and the launching of the huge 100,000 ton dwt tanker.

The film creates visually all the tension and sense of personal involvement of the craftsmen and the spectators, and has some striking sound effects.

First showings, for three days will be at the following theatres:

Tatler News Theatre, Newcastle—Sept. 9th
Classic Cartoon Cinema, Glasgow—Sept. 16th
News Theatre, Leeds - Sept. 23rd
News & Cartoon Cinema, Nottingham - Sept. 30th
Tatler News Theatre, Liverpool - Oct. 7th
News & Cartoon Cinema, Belfast - Oct. 18th
News Theatre, Victoria Station - Nov. 11th

Another Vickers film winner is 'Desert Cargo', featuring the story of the bringing of natural gas from the Sahara to Canvey Island in the Barrow-built '*Methane Princess*'

Both films are available in 16mm and can be obtained on free loan from Photographic Department, Vickers Ltd.

Published by
VICKERS LIMITED VICKERS HOUSE
MILLBANK TOWER MILLBANK
LONDON SW1

many factories are laying off workers for lack of raw materials. In July President Guillermo Leon Valencia, a Conservative, declared a "state of siege." He has threatened to rule by decree if congress does not give him the special economic powers he has requested.

In this atmosphere of economic confusion and political discontent—the dangers of which, seemingly, are appreciated by everyone but the members of Colombia's ruling oligarchy—the psychological effect of successful castroite guerrilla operations could be very powerful. Moreover, the reciprocal impact of viable guerrilla operations is not limited by national boundaries, since the convulsions of neighbouring Venezuela and Peru—where rural insurrections are already established—traditionally effect Colombia (and vice versa).

The test of insurgency could come in San Vicente and the sluggish processes of its daily life. It is a sparsely settled municipality (700 square miles; 30,000 population) that has no paved roads, only three physicians, few schools beyond the second grade and about a fifth of its school-age children attending classes. This heavily Liberal community is anti-clerical and will co-operate only reluctantly with the army and police. It was ravaged between 1948 and 1953 by the *violencia* between the neo-Falangist regime of Conservative President Laureano Gomez and a Liberal guerrilla band led by Rafael Rangel Gomez, a local *caudillo* who was mayor of three towns of the region. Homes were burned, crops were stolen, and entire families were slaughtered by bands of both parties throughout the nation. Conservative bands dressed as police brought Liberal peasants before the local priest, who made them kiss a crucifix and swear allegiance to the Conservative party: these "professions of faith" were announced in the provincial press.

San Vicente is, moreover, adjacent to the strategic oilfields and refineries of Barrancabermeja, along the Magdalena River, where communists have for years maintained strong control of the unions at the Shell and government-owned Ecopetrol installations, the most important in the nation. In recent years communist labour organisers from Barrancabermeja have visited the rural neighbourhoods of San Vicente to form "peasant leagues" that have promoted peasant invasions of uncultivated portions of haciendas. The communists have also obtained free medical services for about 2,000 peasant families in the Ecopetrol company clinic. While these contacts have in many cases been superficial, they have apparently served to form friendly relations to be exploited for purposes of refuge, information and the hiding of arms and other war material.

With all this, however, San Vicente has been quiet. On July 3rd, a peasant who had defected from the guerrillas and had been serving as an army guide for two months, was ambushed and wounded outside the army barracks in San Vicente. He was taken to a hospital in Bucaramanga, where he was stabbed to death a few days later while undergoing treatment. In late June the guerrillas tried to launch a surprise attack on the Conservative village of El Carmen, but retreated when the village priest received warning of the attack and summoned troops. Meanwhile, the peasant leagues have been spreading north of San Vicente near a provincial railway line whose union is also communist-controlled. The invasions, which seem to be a precursor to guerrilla activity, have also been reported near petroleum installations along the Venezuelan frontier and near the 15,000-feet-high Sierra Nevada de Magdalena near the Caribbean coast, where, according to military sources, a part of the Simacota group is forming another cell for insurrection.

It is doubtful whether a communist guerrilla movement can prosper at this time in a nation so saturated with rural violence as Colombia. But a few well-aimed blows in this deepening political and economic malaise could produce a popular convulsion to be felt throughout the hemisphere. It must be remembered that savage partisan fighting echoes and recurs throughout this unhappy nation's entire republican history; that the Conservative repressions of 1948 had their roots in the Liberal repressions of 1930; that the *violencia* of the past decades began with the terrible *Bogotazo* of April 9, 1948, when the popular Liberal politician Jorge Eliecer Gaitan was murdered on a Bogota street, a deed that launched the city's population on a spree of pillage and murder resulting in an estimated 4,000 deaths. As the ten-year orgy of political violence turned to common banditry and as Liberal and Conservative chiefs stopped providing arms and money to these roaming bands, the communists stepped in with arms and money of their own. Inside Colombia now there are four "independent republics" beyond the reach of the national government; these provincial separatist areas are controlled by communist-oriented armed bands.

Bogota, dark and cold, is filled with sickening tension and despair as the rich speculate in cheap official dollars (less than half the free price) and the shabby middle class and the shabbier proletariat are hard pressed to meet their elementary needs. In tropical Cali, an industrial mecca and refuge from the *violencia* for hundreds of thousands of peasants of the western departments, import restrictions are shutting factories and the dwellers in shacks of paper and bamboo clash (occasionally) with police and soldiers attempting to stop them from invading peripheral urban land to build new slums. The official press, which is the only press that matters, reports little more than appointments and resignations (the average ministerial tenure is from six months to a year), while National Front politicians seem inexhaustibly fascinated with their "millimetric" system of dividing the pot. Many Colombians are seized with painful if shapeless forebodings.

CUBA

Where is Che?

FROM A CORRESPONDENT LATELY IN CUBA

THE most striking, and somehow moving, thing about Cuba today is the loneliness of Fidel Castro at the summit of power. The only companions who now seem in any way close to him are Dr Dorticos, the president, and Dr Vallejo, his personal doctor and his alert and amiable friend. These are inferior substitutes indeed for the comrade who for a decade has been the personification of loyal mentor—Major Ernesto ("Che") Guevara. Major Guevara has not been seen since he came back to Havana on March 14th from a three-month tour of nine Asian and African nations. As one foreigner in Havana put it the other day, "Fidel lost his left-hand man when Che went, and he has not been the same since."

It has been a big surprise to those who know the voluble Cubans that no explanation of the Guevara mystery has leaked out in more than five months. One rumour has it that he was actually killed in Santo

Domingo; in Havana this is seen as propaganda designed to implicate Castro in the Dominican affair. Only now have some credible clues to the mystery emerged. True or false, the story now going the rounds certainly fits the known facts.

It is that when Dr Guevara got back from his Afro-Asian tour he and Dr Castro had a long argument which showed that, possibly for the first time in their long association, they disagreed fundamentally about the right policy for Cuba. There had been indications of a divergence even while Dr Guevara was journeying from one ca[illegible] another. He had been maki[illegible]

implicitly critical of Dr Castro's policy, by saying in effect that there should be no softening on the march towards the millenium: people should be given no carrots, but should understand that they had to work their passage the hard way.

Considering that in the last six months Dr Castro has been wooing the Cubans with better rations and sorely-needed consumer goods such as shoes, clothing and some home appliances, this was almost mutiny on the part of his minister of industries. But Dr Guevara had also been sharply critical of the current policy of the Soviet Union and its friends in having commerce with the capitalist West. In one speech in Algiers in February he had said with his usual bluntness that such trading was "immoral," and added: "The socialist countries have the moral duty to liquidate their tacit complicity with the exploiting countries of the West."

Back in Havana, he refused to alter his stance. The outcome, it is now said, was that Dr Castro sent the obdurate Dr Guevara into retirement until such time as either or both of them felt that a renewed association was possible. The bonds between the two seasoned revolutionaries were clearly too strong for there to be any suggestion of imprisoning or even executing him. There is plenty of evidence that this has not happened. His wife and young daughter, smiling and carefree, attended the celebrations of the twelfth anniversary of the 26th of July movement at Santa Clara. In a speech there, Dr Castro spoke warmly of him and coupled him with Camilo Cienfuegos as the "outstanding warriors of the revolution."

Other worries explain why Dr Castro, looking much older and more than ever like a Latin version of W. G. Grace, is subdued. In his three-hour speech at Santa Clara he did not make one of his customary earthy jokes and his claims that world revolution was inevitable sounded unconvincing. For one thing, the bottom has fallen out of the sugar market and Cuba is left with a substantial part—maybe a half, according to some estimates—of its total harvest of 6.2 million tons on its hands. Until it is sold, Dr Castro has no foreign currency available to finance capital projects such as the modernisation of his major ports and the maintenance of such faltering installations as the confiscated oil refineries and the water pumping installations outside Havana.

He has also had some bad shocks. The overnight ousting in Algeria of his friend President Ben Bella, with whom he had been negotiating an oil deal, warned him of the impermanence of even a strong man's hold on power. In the Dominican Republic and in Vietnam the United States has intervened determinedly, no matter if clumsily. Dr Castro is credited with recognising that in Stanto Domingo the Americans were giving notice that, having been once bitten in Cuba, they did not intend to be bitten elsewhere. And it is still possible that an unlucky twist in events in the turbulent Caribbean could bring the United States marines to Cuba.

BRITISH GUIANA

Eldorado over the Horizon

FROM A SPECIAL CORRESPONDENT LATELY IN GEORGETOWN

"GUYANA welcomes new investment," says the poster among the palm trees on the airport road; the design on it is of industrial cog-wheels flanked by two drum majorettes. The poster is true to the attitudes of the coalition government which eight months ago replaced Dr Cheddi Jagan in British Guiana: a brass band atmosphere of confidence with nationalist frills, and revealing more than a trace of American influence. Proudly Mr Peter d'Aguiar, the finance minister and leader of the right-wing United Force, introduced his recent budget with the words "the biggest ever," and went on to propose the ending of exchange control and to hope that imports would soar. And lately the prime minister, Mr Forbes Burnham, threw aside a lawyer's precision and ended his first comprehensive progress report by calling his country "our Eldorado."

Americans used to worry that an independent Guyana under Dr Jagan's People's Progressive party would give *fidelismo* a foothold on the Latin American mainland; now, from their point of view, the prospects are suddenly gilded; and they have quickly added a few more touches of gold paint themselves, by offering aid. Two bauxite companies are expanding, which has prompted the visionary Mr Burnham to talk about an aluminium smelter. After seven years of Dr Jagan's rule, and long periods of racial riots and strikes, "we had lost confidence in ourselves," says Mr Burnham; but now he claims it is being regained.

All this expansionist talk is heavily compounded with political determination, and there are obvious weaknesses. In the election tussle, Mr Burnham's People's National Congress found itself committed to a daily minimum wage of 16s. 8d. and this, together with other salary increases, has made Mr d'Aguiar borrow deeply from his development revenue. Mr Nicholas Kaldor would shudder to see how little, in principle as in practice, is left of his 1962 tax structure. Now even entertainment expenses are exempted, and to make up tax losses Mr d'Aguiar, who made his own fortune out of beer, proposed a National Radio Bingo.

The present ministers can argue that, while Mr Kaldor's compulsory savings levy set off ugly riots, they have kept the peace among their 640,000 compatriots of six racial groups. But the test of their political skill will soon be coming. The PPP recently gave up its parliamentary boycott, but not its anger at being edged out of power by the introduction of proportional representation, a device they are sure was pressed on Mr Duncan Sandys by the Americans. While Mr Burnham, who has become a masterful leader after an unimpressive record in opposition, is demanding (and planning for) independence in February, Dr Jagan is urging that two things should happen first. These are the scrapping of proportional representation and the correcting of the racial imbalance in the police force, where negroes outnumber Indians by four to one.

For some of the Indians the fear is if racial imbalances are not actually corrected before independence, the pre-dominantly negro PNC will use its superior force to crush the opposition before the higher Indian birthrate has a chance of taking the PPP above its 45.8 per cent vote to an overall majority at the next election.

Some Indians are increasing their pressure on Dr Jagan to demand partition, with the sugar and rice areas vouchsafed to their community. As substance for their fears, they point to the government's extension of the state of emergency to October and the holding of 19 political detainees, including last year's minister of education. Others in the PPP see these as foolish tactics.

A solution long canvassed by several British Labour members of parliament is a settling of the nine-year quarrel between Mr Burnham and Dr Jagan. But Mr Burnham is in no mood to propose a national government along these lines at the November constitutional conference.

His mind is on the consolidation of his political power, the cajoling of the right-wing United Force, and on development. But, bright though the prospects for development may be with Mr Arthur Lewis advising on a 5-year plan, a Canadian vice-chancellor arriving to reorganise the university, and Shell eager to explore for offshore oil, all this may be in jeopardy if there is no humane and early solution to the racial division.

EIU Quarterly Economic Review

CHILE

- What are the likely political and economic consequence of Sr. Frei's European tour?
- Can the government slow down the inflationary spiral?
- What effect will new tax legislation have on business?

These and other questions are discussed in our current review

Details and subscription rates:

THE ECONOMIST INTELLIGENCE UNIT

Spencer House 27 St James's Place London SW1
HYDe Park 6711 ext 27

60 East 42nd Street New York NY 10017
Murray Hill 7-6850

CONECO Casilla 3229 Santiago 83883

BAHREIN

Out for More Rent

BY A CORRESPONDENT LATELY IN BAHREIN

A BID to put up the rent for the British base in Bahrein from its present peppercorn level of £250 a year to something like £4 million emerged in London last week. The Bahrein government's two representatives who arrived in London on August 23rd came to talk to Bank of England officials and businessmen interested in local investment. But the representatives, Mr Mahmoud Alawi, the director of finance, and Mr Yusef Shirawi, the director of petroleum affairs, have in a quiet way made it clear that the Bahrein government wants real cash for its land and buildings.

Officially, Mr Alawi has been completing with the Bank of England the arrangement for the switch of Bahrein's currency from the "Gulf rupee" to the new dinar, which is backed by holdings of gold and sterling with the Bank of England. But the outlines of a further plan, already agreed to by the rulers of the Persian Gulf states, have now been put forward. The proposal is that as soon as possible Bahrein and its adjoining states should have a common currency, the riyal, which would be at par with Saudi Arabia's currency of the same name.

The implications of a common currency are that Bahrein accepts as inevitable its virtual integration within a Saudi-centred economic sphere. Saudi Arabia, with oil revenues and reserves approximately equal to Kuwait's, and over ten times as much as Bahrein's, already dominates the latter's economy. But the Bahreinis have no wish to lose their political identity as well. So they want more revenues.

Bahrein's 1965 budget of just over £6 million already shows a deficit, and, although oil brings in roughly £4 million, this is not enough to meet rising public expectations for more education, housing and industrial development. The government's spending on schools and houses is large for a state of Bahrein's size (population 170,000), and though young men and women go to university in Beirut or Baghdad, the school programme and a proposed new town for 35,000 cost a lot of money.

Production of oil by the Bahrein Petroleum Company (Bapco) has increased in the last two years by some thirty per cent, but it is reckoned that assessed reserves are not large enough to allow this rate to be maintained indefinitely. Bahrein's future cannot rest on oil. Since the Khalifas, the ruling family, believe the public good is better served by schools and hospitals than by votes and a free press (although cautious experiments in both these directions are now being made), the extra cash has to come from somewhere.

The Bahrein government argues that a high rent for the British presence might do the trick. In private, £4 million a year has been mentioned. This is just about the sum the British Treasury has paid to the Libyan government for facilities now about to be terminated or cut down. It is not the estimated value of goods and services provided. It is simply a bargaining figure based on the Bahrein government's calculation that its state is replacing Aden as Britain's major staging post to the east.

For strategists who still equate British garrisons in the Persian Gulf with its oil flowing safely to the west, there is Abu Dhabi's steadily rising output, taking place in an environment that is visibly out of date: the ruler, Sheikh Shakbut, granted the original concessions in 1936 and the terms on which royalties are paid still derive from them. Total output from the Murban field and Das island will be around 15 million tons this year. This may be small stuff compared with Kuwait's 90-million-plus (the ostensible reason for the British presence in Bahrein), but is not to be despised; especially as Abu Dhabi is not a member of the Organisation of Petroleum Exporting Countries (Opec), and can ignore its latest demand for a cutback in oil production. So the Khalifas believe they can get a better rent out of Britain, if they play their cards right.

BELGIUM

A Flemish Letter

SIR

I would like to comment on substantial elements of the egg laid by "Jean Foutre" in *The Economist* of July 31st.

1. The Flemings, although not fully happy about the egg the British laid in 1830, are rather grateful to them for having prevented pure and simple annexation to France which, according to J. Foutre, was the Walloons' idea of the glorious revolution of 1830. It is surprising that the Walloons never complained about the discomfort of the Belgian egg as long as their dominant socio-economic and socio-cultural position was not outbalanced by a numerically more important population of Flemings.

2. That the little Flemish chickens grown out of the Belgian egg spoke for a long time various types of Flemish dialects is not surprising if one considers that, with the creation of the Belgian state, Flemish was barred from schools, courts and all public life and that any Fleming striving for social and economic promotion had to abjure the paganism of his cultural background to enter the heavenly paradise of French culture.

3. It may be that within half a century or so this Dutch-Flemish minority group in Europe will switch from Dutch to another language as a mother tongue. But it will be up to them (and not to Jean Foutre) to decide if this will happen or not, and what that other language would be. Since for Flemings and Dutchmen English and German is much easier to learn than French, there is no obvious reason why French ever should become the first language of either.

4. The so-called great-Germanic feeling of Flemish nationalists is the last point I would like to comment on. Let me point out that the Flemish movement started long before Bismarck laid his German egg. It is true, however, that between the two world wars a group of frustrated Flemish intellectuals in search of support for Flanders's claim for cultural autonomy, turned their eyes to Germany. And yet, surprisingly enough, in spite of their alleged pan-Germanic feelings and their lack of loyalty for Belgium, the Flemings had during the occupation a percentage of collaborators as low as that of Wallonia and Holland. In this respect it might be useful to quote the (French-speaking) chairman of the Belgian Senate, who wrote in his war memoirs

Alors qu'en 1914-1918 c'est à peu près exclusivement en pays flamand que certaines fractions de la population collaborent avec l'occupant, aujourd'hui, au contraire, les plus notoires des "activistes", nouvelle manière, sont des publicistes d'expression française, tandis que plusieurs des leaders flamands, les plus en vue, sont à la tête de la politique de guerre jusqu'au bout contre l'Allemagne

Sincerely,

Jan Van Maeleslot

Flemish anger, August 22nd

THE WORLD □ AMERICAN SURVEY

Equality is not enough

WASHINGTON, DC

AFTER fifty years of migration, only about half of the 20 million American Negroes still live in the eleven states of the old Confederacy; the other half live in urban ghettoes in the Middle Atlantic states, the North-east, near the Great Lakes and in California, usually in a state of alienation from the rest of society. If the sociologists were listened to more, it would not need an appalling shock like the Los Angeles riots to show the depth of this alienation, its menacing implications, or the fact that as time goes by it grows not better, but worse. If only because of his voting power the northern, urban Negro has given an impetus to civil rights legislation, but he himself has benefited little from it, since the abuses which civil rights laws seek to remove have been mostly southern abuses. Progress reports in the past week on the application of the Civil Rights Act of 1964 and of the Voting Rights Act of 1965 have seemed to underline the irrelevance of either to the problem of the northern Negro.

Thus the White House released details on Monday of the state of compliance with the provision in last year's Civil Rights Act under which federal funds are to be withheld from school authorities practising racial segregation. The gist of the statement is that about a quarter of the school districts in the southern and border states are now under threat of being refused funds. The North does not practise formal segregation and therefore need make no changes but this does not, of course, mean that Negro and white children in the North generally go to the same schools. For the most part they do not; but because their separation is based on residential patterns and is not (or not formally) educational policy, northern schools are for the most part unaffected by the law. Dr Martin Luther King, who has urged without success that the same penalties should apply to *de facto* as to formal segregation, said early this month after a tour of four northern cities that he saw "segregation on the increase in the North rather than on the decline." It would be hard to prove him wrong.

President Johnson signed the Voting Rights Act on August 6th and his Administration lost no time in acting upon it. Federal examiners set up shop immediately in nine of the most benighted counties of the deep South (they are now at work in fourteen) and have been registering Negro voters at the rate of about 2,000 a day. Where the examiners opened offices, the civil rights groups went into action to make sure that a continuous stream of applicants came before them. By Tuesday night the federal examiners had registered 26,000 new Negro voters, or about a third of the potential Negro applicants, multiplying the number of Negroes on the lists in these counties by five. Literacy tests, one of the main devices for keeping Negroes off the voting register, are now suspended in seven southern states and in parts of an eighth, North Carolina. Unfortunately, the state poll tax, another restrictive device introduced in the great anti-Negro reaction around the turn of the century, cannot be suspended by federal action in the four states where it is still a condition of voting in state and local elections (this is the most obvious deficiency in an otherwise strong and unequivocal Act). Where necessary, the federal examiners are actually collecting the tax and handing it over to the states. But the Administration has brought suit in the federal courts against Mississippi, Alabama, Virginia and Texas "to prevent the payment of any tax as a precondition to voting."

In fact, since the Act went into force the state authorities in the deep South have registered twice as many Negro voters as the federal examiners have done. This seems to vindicate the calculation on which the Voting Rights Act was based—that once the federal authority started to use its new power to register voters, the southern states would themselves concede voting equality. They would do this partly to keep the interference from Washington to a minimum, but also to show good will once southern politicians accepted as inevitable the arrival of a new class of voters whose support they would want. Even Mississippi has changed its Constitution to do away with the apparatus of restrictions that kept all but 6.7 per cent of its potential Negro vote off the register. Altogether, the civil rights groups hope that about a million more Negroes will go to the polls in the South in next year's elections. In the whole country just about half of the 12 million Negroes of voting age are on the registers, compared with 70 per cent of the white population. Bringing the Negro proportion up to the white proportion would add 2.4 million to the total Negro vote. But the Voting Rights Act was drafted to breach specific barriers (legalism, chicanery and intimidation) to the exercise of the right to vote in the South. Elsewhere, it changes nothing; and in any event the main barrier to a bigger Negro vote in the North and West is the subjective one of apathy and alienation.

LOS ANGELES is one of eleven or twelve big cities in the northern and western United States where the condition of the Negro community makes a nihilistic explosion of violence, sooner or later, not at all improbable. No doubt successive Administrations, including the present one, can be blamed for failing to tackle the problem of the northern Negro but the present Administration, at least, cannot be said to be unaware of the problem and its danger. President Johnson has expressed his concern in two major speeches this year, each one far-reaching in its implications for national policy. The second of these was made on August 20th under the impact of the Los Angeles riots. Naturally Mr Johnson declared his refusal to tolerate violence and lawlessness, but he also declared "our obligation to understand what could lie beneath the flames that scarred that great city" and his determination to use the Administration's powers and resources to change the condition of the urban Negro.

That this was no deathbed conversion is shown by Mr Johnson's remarkable speech to a mainly Negro audience at Howard University in June. "Negro poverty," he said then, "is not white poverty"; and he enumerated various respects in which Negro society was actually falling behind white American society in spite of civil rights legislation, as well as various causes of backwardness and decay peculiar to Negro society. It was on that occasion that he announced the decision to call a White House conference in the autumn to discuss the fulfilment of Negro rights. The terrifying events in Los Angeles will enhance its importance.

Mr Johnson dwelt particularly in June on what he called "the breakdown of the Negro family structure" and it is now evident that the Howard University speech was influenced by a report, "The Negro Family—the case for national action," prepared in the Department of Labour after last year's Negro riots in New York's Harlem and elsewhere. Because of its bluntness and alarming tone, this report went unpublished for some months but, having

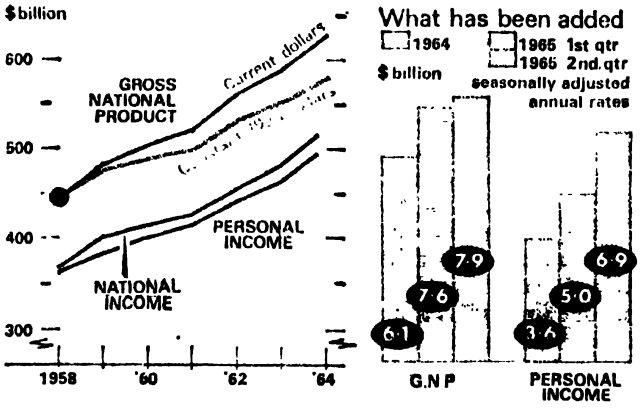
leaked in various directions, it was at last made available in full this week. Most of the facts in it can be found in the census statistics. Even the analysis owes much to long-published sociological studies. What is novel is for a government department to produce such a searching and ruthless study of what is wrong, together with the drastic conclusions that are drawn for national action. The report accepts as generally applicable to lower-class Negro urban life the judgment made last year in a study of life in central Harlem: "massive deterioration of the fabric of society and its institutions." It states that the condition of the American Negro in recent years "has probably been getting worse, not better." Perhaps half the Negro community may be called middle-class. The other half "is in desperate and deteriorating circumstances." Residential segregation even makes it difficult for the stable half to escape from the influences of the unstable one. Thus the greater part of Negro youth is trapped in the social pathology of the Negro world, or in danger of being trapped. Negroes as a group are not equal to the competition of American life and instead of beginning to draw level are falling further behind.

GNP—bigger and better

Americans do not usually underestimate themselves but for once they have: the Department of Commerce, recalculating the gross national product and the national income on the basis of the 1958 censuses of business and manufacturing and the 1960 censuses of population and housing, finds that the money value of the country's output of goods and services has been higher since the war, and particularly recently, than was realised. The general pattern remains much the same but the rate of growth is now seen to be faster—3.7 per cent a year in real terms since 1948, instead of 3.6 per cent, and 4.3 instead of 4.1 per cent a year since 1960.

Within this general revision there are many detailed refinements, both up and down, mainly the result of using in the calculation the input-output concepts which show what industries sell to each other. From these it was found that the flow of final products had been underestimated and so had the amount of construction. Businessmen should be gratified, for corporate investment and corporate profits are both more important to the economy than had been appreciated. Consumers have been saving less of their incomes in recent years than had been estimated. The major change in the new accounts is that interest paid by consumers is left out, as is the practice in other countries, on the ground that it does not reflect actual output.

The new figures probably explain why revenue from income taxes in the last fiscal year turned out to be so much higher than expected. They also mean that the GNP this year is quite sure to be well above the $660 billion which was the official estimate in January. The trend of the economy had already made this pretty sure.



At the heart of this deterioration is the deterioration of the Negro family, "the fundamental source of the weakness of the Negro community at the present time." The causes are traced back to the days of slavery, which in America deprived slaves of the right to marry or to stick together or to keep their children if they did. The long "Jim Crow" period damaged and humiliated the Negro man, who had to make his way in the world, more than it did the woman, who was always welcome as a domestic servant. The causes are also traced to the urbanisation of America which made inroads into the rudimentary Negro society that existed, to the migrations from country shacks to town ghettoes, to the pressure of poverty and unemployment which deprive the man of his place in the family and to the consequent dependence on public assistance which makes him superfluous; his presence may be an actual bar to help from local authorities for his family.

Aspects of the resultant disintegration are a rate of illegitimacy about eight times as high among non-whites as among whites and rising at a faster rate; a high and increasing incidence of absent husbands among those who have married, much heavier in towns than in the country; a growing number of families headed by women and a steep rise in the number of families on public assistance; a Negro unemployment rate persistently about twice as high as the white and higher in relation to the white than it was thirty-five years ago. Among the unpalatable things the report has to say is that, while a matriarchal family structure may be good or bad in the abstract, it does place a minority group at a disadvantage in a society like the American, which presumes male leadership in private and public affairs. The report concludes that a national effort is required to strengthen the Negro family so as to enable it to bring up and support its children as do other families and that the Administration should design its social and economic programmes to increase the Negro family's stability and resources.

If the logic of the report is followed, American policy towards the Negroes must presumably move out of the phase of striving for the goal of non-discrimination and engage in a deliberate and novel effort to discriminate in the Negro's favour until real, not legalistic, equality is within his reach. The so-called Great Society legislation already provides instruments to tackle this problem but only the poverty programme is in fact being directed more to the Negroes than to any other section of the community. Not only an expansion but a vast reorientation of social programmes seems to be needed. In a conservative society can this be done successfully unless it is made explicit—as many people hesitate to do—that one group is to be given preferential treatment because its needs are peculiar?

Time to negotiate?

WHAT a report in the *New York Times* described as "part of a new peace offensive" was staged on television on Monday when the Secretary of State, the Secretary of Defence and Mr McGeorge Bundy, the President's most influential personal assistant, described the conditions under which the United States would withdraw from South Vietnam. It might be more accurate to say that this sortie was part of the Administration's effort to persuade American and foreign opinion of its moderation and its continuing interest in a peaceful settlement. Answering questions at his press conference this week President Johnson expressed himself satisfied with the American military performance in Vietnam and with the effectiveness of his bombing policy; in the context this suggested that the purpose was a limited one, something less than a military triumph. Perhaps hostilities will simply be allowed to fizzle out, without any formal peace negotiations either.

Mr Henry Cabot Lodge, returning to Saigon for the second time as Ambassador, described his objective there as a "true revolution"

—something which must have sent shivers up the back of the current government in South Vietnam. Mr Lodge is to have the assistance of a small team of civilians under Major General Lansdale, rtd., a sign that the President feels that neither the war nor any peace to follow can be won without the trust and active support of the bulk of the Vietnamese people. General Lansdale is an almost legendary expert in combating guerrilla revolts with a revolution of his own. He first made his name in the Philippines after the war and was regarded as a "king-maker" in South Vietnam when he was first sent there by the Central Intelligence Agency in the early nineteen-fifties. He has the reputation of a miracle-worker and indeed he will have to work miracles if he is to secure the allegiance of the peasants for their government.

In Washington Republican leaders in the House of Representatives do not seem to be succeeding, at least as yet, in making much capital out of Vietnam. This week they have issued a "white paper," attempting to exploit for political purposes the polite disagreement between the President and General Eisenhower over which Administration made the original commitment to defend South Vietnam. But whatever happened in the past, Mr Eisenhower will not qualify in any way his support for the present policy. And the President neatly blanketed the Republican criticisms and the press conference which was to draw attention to them by calling a press conference of his own, at which he praised the co-operation which he was receiving from both parties.

ARA smells sweeter

LAST week, by big majorities, Congress sent to the President a $3.3 billion, five-year measure for aid to depressed areas. Its new name is the Public Works and Economic Development Act of 1965 but it serves up, with embellishments, two programmes started by President Kennedy which had fallen on bad days in Congress: the Area Redevelopment Act of 1961, which provided loans and grants for public improvements in depressed areas and loans to tempt firms into them, and the bigger but supposedly temporary Public Works Acceleration Act of 1962, which was also aimed at areas suffering from low income and long-term unemployment. Two years ago the House of Representatives failed to provide any more funds for ARA. Members from the cities complained that too much money had gone to rural areas; Republicans charged that the scheme had been used as a Democratic slush-fund in the elections of 1962; and it was denounced widely for mismanagement and waste and for spreading its resources too thinly to be effective. As for public works, they went out of favour, except with some liberals, when the Kennedy Administration decided that the economy could best be stimulated by tax cuts.

What has made Congress change its mind, so that it has pressed upon the President substantially more money than he requested? Part of the answer is that this is a more liberal Congress, more concerned about poverty, than Mr Kennedy's and that Mr Johnson is a more persuasive President. Another answer is that so many communities in so many states stand to benefit; by the end of 1963 over a thousand counties, a third of the country, were eligible for help. Indeed the new Act provides that, if a state has no area which is eligible, the one which most nearly qualifies should be declared so. Finally, the Act, carrying out a promise made earlier this year, extends to all depressed areas the regional approach to redevelopment granted in March to Appalachia, the most backward of all.

ARA did not deserve all its criticism. It was designed as a long-term operation and could not perform short-term miracles. It was launched at a time of recession when businessmen could find plenty of labour without venturing into depressed areas. Moreover the ARA could extend loans only to firms which could not get credit on reasonable terms elsewhere; this meant that loans could go only to new or marginal undertakings. Unfortunately Congress vetoed a new scheme to attract sounder firms to development districts by subsidising the interest on their private borrowings for new facilities. But in other respects the machinery is improved. More important, this time two-thirds of the money is for grants, not loans; the emphasis is on public improvements which, beside providing jobs, will make areas more attractive to private enterprise. And, if it proves politically possible, assistance is to be concentrated on growth-points and not to be squandered on innumerable hopeless cases.

Goodbye to Lake Erie?

AMONG the five Great Lakes, Lake Erie has perhaps been the least distinguished. It is not biggest, most beautiful or nearest to Niagara Falls in the chain which contains 20 per cent of the world's fresh water. But now Lake Erie is making headlines; it is so polluted that it is literally dying. Industrial wastes and sewage poured into the lake by cities and factories in five states (no one argues that the pollution comes from the Canadian side) has robbed a good part of the water of oxygen. All the desirable fish have gone; so has a commercial fishing industry. Instead choking growths of algae, thriving on the rich phosphates in the sewage, threaten to turn the already shallow lake into a swamp. Geologically speaking, this tends to be the fate of lakes. But in Lake Erie the hand of man has vastly speeded up the natural process of ageing. At a conference held earlier this month in Cleveland, the United States Public Health Service outlined a plan to clean up the lake by 1969. But there was no certainty that the fish would come back.

The worst offenders are the cities of Detroit (which discharges nearly 1.5 million pounds of wastes a day into the Detroit River, a tributary of the lake), Cleveland, and Buffalo. But cities some distance away contribute their bit through filth-laden rivers which eventually flow into the lake and many of the heavy industries along the shore dump in raw acid, oil, iron and other substances which consume oxygen. In its report, which has been called a classic of research, the PHS identified with extreme precision who was responsible for putting what contaminants into Lake Erie. By 1969 the PHS will insist that both communities and factories have plants in operation to treat wastes chemically before they are released. Industries, moreover, must report periodically on what they are discharging into the lake and the PHS plans to start immediately keeping watch on the type of community plumbing system which it does not admire—a combined network of sewage and rainwater pipes.

To clean up Lake Erie may cost each of the five states—Indiana is involved as well as the four which border the lake—around a billion dollars. The federal government will pay part of the cost of the new municipal waste disposal plants. If some such co-operation had been arranged sooner, Lake Erie would not have become so foul. Yet the confusion over whether state governments or Washington have jurisdiction over the purity of American waterways extends far beyond Lake Erie. A Bill prepared by Senator Muskie of Maine would expand federal assistance for control of water pollution; yet it is stalled in a congressional conference committee because the House of Representatives cannot agree with the Senate that there should be federal standards for the purity of water.

When you need a bank's assistance for International transactions in California or throughout the United States, call on the specialists at United California Bank. To do a little *more* for you, we offer all the services of fully staffed International Divisions in Los Angeles and San Francisco and over 170 offices in California. Our affiliation with Western Bancorporation International Bank in New York, experts in many fields and correspondents around the world provide immediate contact with every important world trade center. Wherever you do business, we can provide a wide range of quality banking services specifically tailored to your requirements.

UCB does a little more for you in California, the United States or anywhere around the world

UNITED CALIFORNIA BANK

The bank that does a little more for you

International Division: Victor R. Rose, Sr. Vice President and Manager

Los Angeles Headquarters: 600 S. Spring Street • San Francisco Headquarters: 405 Montgomery Street

Capital Funds over $286,000,000—Resources over $3,300,000,000 • Affiliated with Western Bancorporation and its 22 full service commercial banks in the 11 western states

The Economist

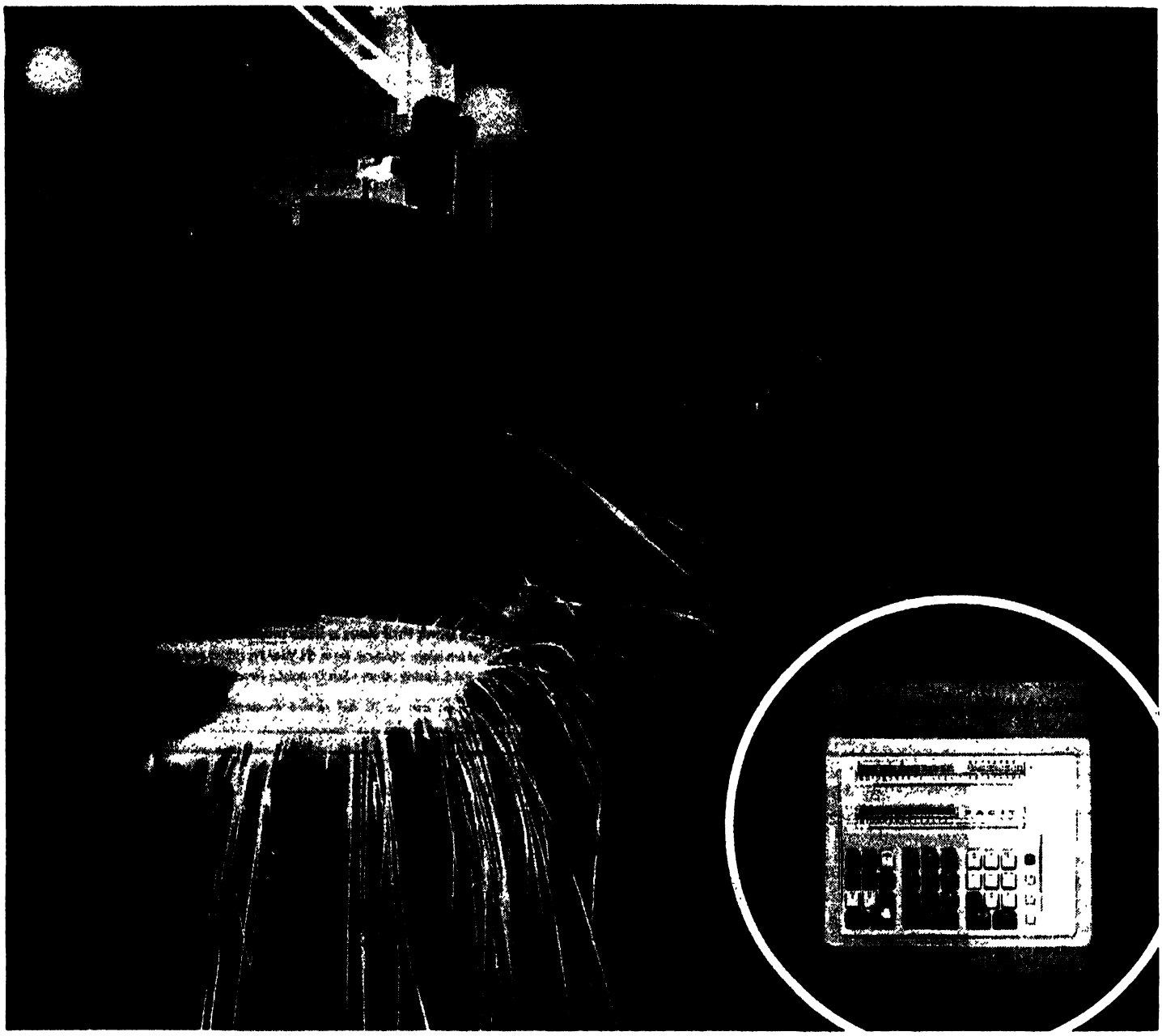
Guide to Weights and Measures

This Guide was compiled by the Statistical Department of The Economist for use within our own office; it was decided to publish it as a book to serve a wider public. The Guide has now been out of print for some years but requests for copies still come in. It has therefore been decided to revise and extend the Guide and to publish a second and up-to-date edition.

In 96 pages it provides facts and figures on the weights and measures of the world. For the most widely used units, tables of equivalents are given; for units that are used only in certain countries and trades, conversion factors are given.

The Guide, price 17/6d. (U.S. $2.45) post free for cash with order, is obtainable from:

Publications Department, The Economist, 25 St. James's Street, London, S.W.1.



Facit CA2-16, for advanced calculation.

Enduring as Swedish Steel

From mountainous Bergslagen and desolate Lapland, Swedish iron ore travels down the sea lanes to the blast furnaces of the world. But much of the purest ore is reserved for Sweden's own famous steelmakers such as Fagersta, Uddeholm and Sandvik. Here the ore is transformed into pedigreed Swedish Steel — prized around the world for endurance.

Swedish business machines are also prized around the world for their enduring quality. You will find them everywhere. And the odds are that the Swedish business machines you see most often are from Facit of Sweden.

This is because Facit of Sweden is one of the world's leading manufacturers of business machines, with exports to 130 countries — a truly international company, permanently on duty wherever you live.

Calculators • Typewriters • Adding Machines • Duplicators • EDP Equipment

For further information, write to:
FACIT, EXPORT DEPARTMENT
STOCKHOLM 7 — SWEDEN

FACIT

FACIT OF SWEDEN
for the world's offices

Sharing the sugar cake

THE Latin American diplomatic corps applauded President Johnson when he declared that he would not ask for a revival of import fees on foreign sugar. The fees, first imposed in 1962, expired at the end of last year. But the foreign producers who supply a large part of the nearly ten million tons of sugar consumed annually by Americans would have liked more generous import quotas as well. They say that they are unhappy with the Administration's recommendations for extending the Sugar Act of 1962 which were sent to Congress last week. Congress, however, holds —and thoroughly enjoys—the power to regulate the supply of sugar to the American market by assigning shares to the domestic industry and to thirty foreign countries. It does not have to take the Administration's advice. Even so, the sugar Bill was designed by the Department of Agriculture to help the so-called developing nations. Under its provisions, the Latin American slice of the market would be raised gradually from its present 68 per cent to 71 per cent by 1971. The Bill also grants to the American growers of beet and cane sugar their chief wish: an immediate increase in marketing quotas so that they can work off their surplus stocks.

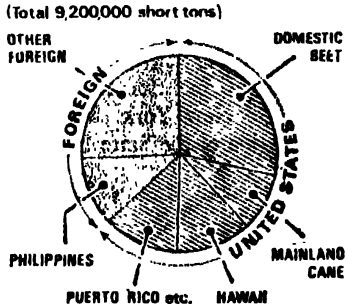
The sugar Bill contains a special sweetener for the chairman of the House Agriculture Committee, Mr Cooley of North Carolina. His claim to the title of "Mr Sugar," the man to whom sugar lobbyists had to go to plead for a share, or a bigger share, of the sugar quota was jeopardised by the Kennedy Administration's "global quota" policy. That allocated to foreign suppliers on a "first-come, first-served" basis, the large portion (1.6 million tons a year) of the American sugar market which is being kept open for Cuba, should it return to the fold. The new legislation would divide the Cuban quota by giving measured slices to each country. The Administration wants the size of these extra shares to be determined by the amount of sugar sold to the United States in

MAJOR FOREIGN SUPPLIERS IN 1965

	quotas in short tons
Philippines	1,050,000
Mexico	403,225
Dominican Rep.	398,323
Peru	248,625
Brazil	228,550
Australia	193,069
British W. Indies	126,145
India	100,164
South Africa	100,108

PRESENT SUGAR QUOTAS

(Total 9,200,000 short tons)



1963 and 1964—lean years when world supplies were short and foreign producers who were not loyal to their American customers easily found higher prices elsewhere. But the "country-by-country" basis also restores to Mr Cooley and his committee their voice in declaring which country gets how much.

The sugar Bill should pass smoothly through Congress unless the Senate Finance Committee balks at abandoning import fees. These, which were intended to tax foreign producers on some of the profits which they made by selling sugar at the American price kept artificially high by the Department of Agriculture's marketing restrictions, would have brought in $47 million a year to the federal government. Without the fees, foreign producers can pocket the entire difference between the world price, now about two cents a pound, and the United States price, more than six cents a pound. Not surprisingly, this infuriates American producers. But the Department of Agriculture apparently took to heart the argument of the State Department that it makes little sense to give to Latin America's Alliance for Progress with one hand and take away earnings from one of the region's major exports with the other.

Tomatoes squeezed

FROM A CORRESPONDENT IN CALIFORNIA

THIS weekend the tomato crop in California—where on over 100,000 acres grow two-thirds of all the tomatoes tinned, juiced and ketchupped in the United States—is reaching its peak and so is the need for temporary labour to harvest it between now and the end of September. But next week the students who have been helping in the fields during the summer months go back to school and college. At this time last year California was employing 65,000 "braceros," skilled workers who came in from Mexico to pick the fruit and vegetables. But Congress cut off this source of supply at the end of 1964, except for emergencies. Californian tomato growers, contending that such an emergency now exists, have asked for 16,000 Mexicans. The Secretary of Labour, Mr Wirtz, recognising that the tomato harvest brings special problems, is allowing half that number to come in. It remains to be seen whether 8,000 Mexicans are enough to save the farmers from the disaster that they are naturally predicting for themselves and the housewives of America.

So far this summer the success in harvesting the bulk of California's fruit and vegetable crops without any Mexicans at all has been astounding, although some growers and some long-established markets have suffered. Asparagus production was down by about 15 per cent but as prices went up growers made $1 million more than last year. The cost of harvesting melons doubled and it is not yet clear whether prices are going up enough to cover the increase. Strawberries were ploughed under in some areas where labour was uncertain but losses were not as great as had been predicted. It is still too early to assess the total impact but prices have risen on all types of produce; however, for the country as a whole this was mainly because of weather conditions. Mr Wirtz feels that the housewife is willing to pay a little more for lettuce and berries in order to support better working conditions on American farms and it appears that he is right.

What Mr Wirtz has been trying to do, by insisting that every possible effort be made to recruit help domestically before he will allow braceros to enter, is to upgrade the wages and conditions of agricultural work so that it becomes as dignified and decent as any other employment. If this is achieved, he says, enough able-bodied Americans will be found to fill all the temporary farm jobs that are available. In wages this upward movement has begun and the effect has been as Mr Wirtz predicted. There has been a definite migration to California of competent farm workers who can now get higher pay there than in Texas, Utah or the other states from which they have come. Local men have been drawn into agricultural work from other jobs, including Mexican-Americans who worked on farms years ago but left for better-paid employment. Finally this summer there has been the biggest recruitment of students ever undertaken. Some have come as teams from schools or colleges; often these did well but many of the students were sickened by the food, stunned at the living conditions and shocked at the sanitary inadequacies that Mexicans had put up with. Farmers also recruited students themselves but preferred those who came from near by and could live at home.

While growers still grumble over "commitments to social change," they recognise the reality behind Mr Wirtz's attitude and are adjusting working conditions to the needs of today. Foremen do not drive the men as hard as they did and use encouragement rather than threats to get results. Some have even been sent to school to study personnel management. One change that is particularly relevant just now, which has been insisted upon by the state authorities, is the provision of smaller containers for tomatoes—they used to be packed into fifty-pound boxes—in the hope that it will make it possible for women to do the work. But already there are 262 mechanical pickers, each replacing about 40 workers, and by next year there should be five hundred at least.

Turn-table Dancing

NEW YORK

In the short space of three years more than twenty-five *discothèques* have sprung up in New York—to the delight of dance enthusiasts and the despair of jazz musicians. The first few were modelled along the lines of the intimate, private clubs in Paris—expensive drinks, dancing to recorded music and an exclusive membership. This, it was hoped, would include New York's "social set," which nowadays has ever-shifting lines and few of the traditional class barriers. Apparently it is also a fickle and restless group and it was to cash in on this that a number of public *discothèques* opened up.

Another reason for their appearance was the decline in the amount of business done by night clubs. Most of the glamorous night spots of twenty years ago, with their lavish floor shows, have long since closed their doors; the one or two that are still hanging on depend largely on the tourist trade for survival. Television has dimmed the lustre of live entertainers and former customers now live in suburbs rendered inaccessible by transport difficulties. For a brief while the jazz clubs filled the vacuum; they attracted a smaller audience, but one of a different kind and their overhead expenses were considerably lower. Nevertheless, here, too, in the last few years the amount of whisky consumed by patrons has barely matched the increase in musicians' wages. To put up admission charges kept people away; indeed, it led to the closing of one of the famous jazz centres in New York—Birdland.

In short the *discothèques* arrived just when economics and fashion had conspired to create a gap in the city's night life. New Yorkers come to them to gape and stare at the celebrities and the new *discothèque* fashions, and everyone comes to dance the frug, the watusi, the monkey, the swim or whatever the latest caper may be. But already the next phase in the cycle is beginning, with the realisation that there are just too many *discothèques* around; not only do the dancers want to dance to records but they want also to dance at the "in" place. At the moment the liveliest is out of town, in East Quogue, Long Island, a fashionable bathing resort.

That, of course, is where the young social set is for the summer—and they have begun to add one important variation to the model, a live combo to give the record-player's turn-table a rest. This suggests that by next year today's *discothèques* may be tomorrow's jazz centres, providing the jazz musicians once again with commercial outlets. The lack of these has driven some of them to concerts and "performances," mainly at universities, and has turned others towards experimental forms of music that only fellow musicians can appreciate.

Insurance up in the air

SOME of the fine type on international airline tickets will disappear if the Administration decides, as seems likely, to withdraw from the Warsaw Agreement and if its example is followed by some of the eighty-five other signatories. The agreement, now thirty-six years old, limits the liability of international air carriers to $8,300 for each passenger killed or injured unless it can be proved that the accident was caused by "wilful misconduct." This was to protect fledgling airlines, but they are now full grown and the limit has long been recognised as too low: much higher damages are awarded where domestic carriers are concerned. Ten years ago, largely at American insistence, the Hague Protocol raised the international limit to $16,600, though it also made it more difficult to prove "wilful misconduct."

Many countries have ratified the amendment, but the United States has not; now the Administration considers even the new ceiling too low. Therefore, in submitting the Hague Protocol to the Senate it insisted originally that at the same time Congress should require the American air carriers to take out $50,000 worth of insurance for each passenger. But this step, which is opposed by the airlines, by the insurance companies and by lawyers specialising in damage suits, is given no chance of being approved. More disinterested critics object that such a solution is too inflexible (it does not take account of a victim's expectation of life or his earning power) and provides no protection to Americans travelling on foreign airlines. Even on the services covered such compulsory insurance might make sabotage more attractive. The door is not quite shut against the solution preferred by the American airlines—ratification of the Hague Protocol and an international move to raise the ceiling on claims for compensation. But it is open only a crack.

Meanwhile, the companies which underwrite aviation insurance in the United States have even more urgent matters to think about than the Warsaw Agreement. Early this month the Department of Justice asked the courts to break up two pools which underwrite four-fifths of American aviation insurance. These pools, which have existed since the nineteen-twenties, were thought to be immune from federal anti-trust prosecution under the McCarran-Ferguson Act of 1945. But recently a federal judge held that a condition of such immunity was effective state regulation. In New York, where the two suits have been filed, the supervision of the State Insurance Commissioner is distinctly mild.

SHORTER NOTES

Last week the President swallowed a Bill which raises military pay by much more than he considers necessary. But he vetoed a $1.7 billion Bill for military construction on the ground that it invaded the prerogatives of the Presidency. What he objected to was a provision requiring the Secretary of Defence to submit to Congress between January 1st and April 30th a list of all the military bases which he proposed to close during the year. The list would have to lie before Congress for four months. Mr Johnson argued that this would hamper his attempts to cut military expenses. But he made it clear that he would accept a less restrictive arrangement and a compromise is expected which will save face for Mr Rivers, the new and truculent chairman of the Armed Services Committee of the House of Representatives.

The world's first nuclear-powered merchant ship, the NS *Savannah*, has been turned over on a dollar-a-year charter to a subsidiary of American Export Isbrandtsen Lines. Commercial operation is expected to save the government about $4 million a year—the cost of running her as a demonstration ship. She will make about eight voyages a year but will carry no passengers.

BOOKS

Smethwick—and After

Immigration and Race in British Politics

By Paul Foot.

Penguin. (Special.) 254 pages. 4s. 6d.

"The employers would be very worried if coloured labour were withdrawn": report by the manager of the Smethwick Labour Exchange, 1955.

"There is a limit to the number of immigrants that this small and overcrowded country can absorb": Mr Herbert Bowden, July 1965.

It took just ten years for the penny to drop. In the 1950s, it looked simple enough. Britain was "short of labour," particularly for the dreary, or the dirty, or the underpaid, jobs. The West Indies, Pakistan and India had labour to spare. The fact that by importing coloured workers—and doing precisely nothing about how and where they might live—we might also be importing a coloured problem occurred to hardly anyone. The wonder is that we did not have more Smethwicks.

Mr Foot's account of this humiliating story may not be to everyone's taste. He makes occasional mistakes (the Central Council is not "the real policy-making body" of the Conservative party, Sir Cyril Osborne is not nearly so important as the author imagines, and Mr Aubrey Jones was not knighted halfway through the book). More seriously, Mr Foot is so angry that he has allowed himself to go on a pejorative jag: to facts he adds tendentious comment which may put off those seeking a cool, objective analysis. But he may argue that objectivity in the face of prejudice is difficult, and, until it is refuted, his detailed account of what happened in Smethwick stands on the record. If Mr Peter Griffiths, Mr Finney and Co. wish to dispute the charge that they whipped up race prejudice for political ends, all they have to do is answer Mr Foot's damning, documented evidence.

For the wretched history of Britain's immigration policy over the past few years, Mr Foot blames practically everyone. He is particularly rough on the Tories, but he gives Labour only a beta plus. Some of his judgments are fair, but he seems needlessly hard on the predominantly young all-party group (the Hattersley-Stevas axis) which has tried to find some common denominator of tolerance to match against the fumbling of the two front benches. Mr Foot's own solution is to open the door again, and he does not believe that this would lead to a flood of immigrants. He argues that the biggest single influx was artificial, people rushing in to beat the deadline of the 1962 Act, and that in normal times immigration will follow an economic cycle, rising and falling with each swoop of stop-go. Maybe, but is it now feasible to put the clock back? Is it not possible that, once bitten by control, would-be immigrants will always be afraid of it coming back, and will tend to crowd in ahead of some presumed future deadline?

Nor will everyone agree with Mr Foot's uncritical acceptance of the claim that we are short of labour. There is an argument, at least, that industry has used immigrant labour to cushion itself against the problems of greater labour mobility. Sooner or later (and both the Wilson Government and the Heath Opposition show signs of making it sooner), the fat is going to be squeezed out of inefficient industries, and that will mean squeezing out surplus labour. If the queues at the labour exchanges get longer, American experience suggests that a disproportionate number of the faces in them will be black.

No one will quarrel with Mr Foot's condemnation of our national failure to do nearly enough to help the immigrants to become integrated. But we have to deal with the immigration problem as it presents itself in 1965, not as it looked, and could have been managed, ten or even five years ago. Anger at the story of those wasted years is justified, and salutary, but it needs to be married to realism.

Four-Party Competition

The Deadlock of Democracy: *Four-Party Politics in America*

By James MacGregor Burns.

John Calder. 383 pages. 45s.

It is a pleasure to welcome a British edition of Professor Burns's challenging analysis of the workings of the American party system, which, in his own country, has become part of the accepted currency of political science controversy. The essence of his argument can be stated, quite simply, as follows. Historically, two traditions have warred in American politics and government: the checking and balancing outlook of James Madison; and the emphasis of majority rule associated with Thomas Jefferson (Jefferson the President and the architect of party). This conflict has never been resolved, with the result that today's [illegible] with a huge federal est[illegible] a world responsibility, the two [illegible] is horizontally bisected by the [illegible] Jeffersonian division. There are thus, in effect, four parties at the federal level, Democratic Congressional, Democratic Presidential and their Republic equivalents. On the whole, in Democratic ranks there is a bias toward the Presidential, in Republican to the Congressional, but each has its own core of strength and its own constituency among the voters. Professor Burns himself is a convinced Presidentialist (and Democrat), and offers some concluding recommendations for reducing the four-party competition to two.

This bald analysis does not exhaust Professor Burns's argument, which is amplified by historical analysis, an extended scrutiny of Franklin Roosevelt's political techniques, an account of the professor's own experiences as a Congressional campaigner, and detailed exploration of subsidiary but related problems like the working of the primary system. There is much good reading and shrewd insight here; yet as one puts down (or takes up) the author's 350-odd pages, one cannot help wondering whether it could not all have been said in fewer. The long history of the party system has been told before, the analysis of Roosevelt can be read in Professor Burns's own "The Lion and the Fox," and much of the exposition of the tactics for 1964 is now almost comically overtaken by events. Would Professor Burns's thesis have suffered, in a busy world, if it had remained, unswollen, at the natural length of a magazine article?

Masters and Men

The Worker and the Law

By K. W. Wedderburn.

Penguin. (Pelican Original.) 368 pages. 7s. 6d.

Professor Wedderburn is a distinguished academic lawyer with many years of experience as a teacher behind him. In this book he sets out to examine the whole field of labour law in Britain and ranges from the law governing employment, through compensation for industrial injury, to trade unions and the right to strike. The book is a masterpiece of lucidity and compression, and achieves a notable double in being a work that will appeal to the general reader as well as to the student of social and trade union affairs. Professor Wedderburn's general critique of British labour law is that there is too little of it. On the whole, the

[illegible] content with as [illegible] from the law as possible: [illegible] left alone. Employers have [illegible] attitude, and as a result the law has had a negative, restraining influence and not a positive creative one. The author concludes unfashionably in his final chapter that "positive" rights should be given to trade unions, a curious conclusion at a time when the attention of most reformers is concentrated on ways of curbing trade union power and increasing protection for the rights of individual members.

The most unsatisfactory chapters of the book are those dealing with the trade unions. This is not because they are any less clear than the others—indeed, the account given of the implications of *Rookes v. Barnard* is most clear and cogent—but because, as a dedicated socialist, Professor Wedderburn seems unable to allow himself to apply his mind objectively to the need for trade union reform. For the author the unions have few faults and are more sinned against than sinning. He dismisses arguments about the rights of individual members with the comment that "right to work" claims mean little more than a right to claim union benefits without participation in union activities. According to Professor Wedderburn, the important right to work is full employment in practice and legal protection against arbitrary dismissal. He sets his face against any legal control over union rules despite the injustice revealed in the *Faramus* case, where a worker was denied union membership because of a petty crime committed at the age of 17. The book is thus disappointingly unradical in its approach, but it is scholarly and very readable. For those able to discount the author's political predilections and anxious to get a thorough grounding in British labour law, it would be difficult to find a better one.

Books this month

Ed. by P. H. Bigg, National Physical Laboratory
International Conversion Tables
A new, major reference work essential to industry, commerce and engineering as Britain adopts the metric system. Covers all aspects of metric conversion of weights, measures, pressure and [illegible].
Cassell 63s. net

Margaret Black
No Room for Tourists
How white South Africans have come to [illegible] police state as normal. "A handsome work of obvious distinction"—Ronald Segal, [illegible]. "It should be widely read everywhere" [illegible] Samuel.
Secker & Warburg 35s.

International Association for Research in Income & Wealth
Asian Studies in Income & Wealth
Latest data on Japan, Taiwan, India and other nations of the E.C.A.F.E. area. Long-term growth and capital formation receive special attention.
Asia Publishing House 75s.

The Times 300
Capital, turnover, employees, profits. All in this first annual guide to the size and performance of the leading British and European business groups. Extra tables cover insurance, banking, building societies and the major nationalised industries.
The Times Publishing Co. Ltd. 5s.

The Finance Act 1965
Quick guide to the provisions on Corporation Tax and Capital Gains Tax. The booklet has a foreword by Mr. Harley Drayton.
Copies, 2s. 6d. each, can be ordered through W. H. Smith & Son, or 2s. 9d. post free from Aims of Industry, 5 Plough Place, Fetter Lane, London E.C.4.
Aims of Industry

All books advertised in
The Economist can be obtained from
THE ECONOMISTS' BOOKSHOP
Clare Market, Portugal Street, W.C.2
Catalogues free on request

A Second Togo

Admiral of the Pacific: *The Life of Yamamoto*

By John Deane Potter.

Heinemann. 349 pages. 35s.

The name of the author of this book may be familiar as one of the most successful of Fleet Street journalists. He has already published a life of the Japanese general who captured Singapore. The present volume is not so much a biography of the Commander in Chief of the Combined Japanese Fleet as a lively and reliable account of the operations which he conceived: Pearl Harbour, Midway and Guadalcanal.

Yamamoto holds a place second only to that of Togo in the history of the Imperial Navy. He was largely responsible for the secret rearmament before the war, and as the leading exponent of the naval air arm he created the carrier fleet and the torpedo carrying aircraft. He owed much to British example. His first command was a naval air school on the lines of Cranwell; his Zeros derived from a Sopwith design; and it was the success of the Royal Navy in the shallow waters of Taranto that inspired the tactics he devised for the attack on Pearl Harbour. Although he moulded the modern Japanese navy, it was not the monstrous battleships which he favoured but the principle expressed in the proverb: "The fiercest serpent may be overcome by a swarm of ants."

The paradox of his career was that he opposed a war with the United States because he was convinced that Japan was bound to lose in the long run. When he was dragged into the conflict by the military clique he prophesied that for the first six months:

> I will run wild. I will show you an uninterrupted series of victories. But I must also tell you that if the war be prolonged for two or three years I have no confidence in our ultimate victory.

The loss of his carriers and 50 per cent of his pilots at the battle of Midway proved he was right. Mr Potter defends his tactics there in separating the battleships from the carriers by a margin of 300 miles. He also more plausibly justifies the attack on Pearl Harbour against Admiral Morison's charge that it was "a strategic imbecility" on the grounds that it gave Japan the breathing space to capture the Java oil wells and organise its defence. The attack may be an oft told tale, but it has never been better told from the Japanese point of view than in this book.

It was fitting that the man who combined air power with sea power should have been shot down on a tour of inspection in the Solomons at the moment when the fortunes of his country were crumbling, and that he should be buried next to Togo, under whom he first saw action at the battle of Tsushima.

Revolution and Upheaval

The New Cambridge Modern History: *Vol. VIII. The American and French Revolutions, 1763-93*

Edited by A. Goodwin. 769 pages. 50s.

Vol. IX. War and Peace in an Age of Upheaval, 1793-1830

Edited by C. W. Crawley. 762 pages. 50s.
Cambridge University Press.

Dates may now be out-dated in the teaching of history, but they still have their uses. History still has to be divided into manageable chunks, and deciding where the breaks can most appropriately (or least artificially) be made is an interesting exercise. The years 1789 and 1815 are incontestably landmarks in European history, and some people may be affronted that they do not figure at the beginning or end of either of these volumes of the New Cambridge Modern History. However you look at it, the year 1793 was very much *in medias res*; a pause there is inevitably rather breathless. So, one might argue, is a pause at 1830. Yet a good case can be made out for a volume that encompasses not only Napoleon's rise and fall, but also—which is just as important—the immediate aftermath and consequences of his career.

The real trouble with these volumes is that, on the whole, they make pretty dull reading. This would not matter so much if the books were designed principally for the convenience of other professional historians, who do not seem to mind dullness, and sometimes even appear to regard it as a sign of authentic scholarship. (But surely nothing and nobody can justify a reference to "actualising" an intention.) Sometimes one feels that the books are designed for a very exclusive readership indeed. How many people, for instance, are any the wiser for being told in volume VIII that the "martinist element" predominated in Russian masonic lodges in the 1760s? (They can turn to volume IX for a little elucidation.)

If, however, these volumes are supposed to interest and instruct a wider audience, they should be more stimulating—all the more so since they are supposed to be, according to the introduction to volume IX, "a portrait or survey rather than a compressed record." There are, of course, some honourable exceptions; for example, Mr Markham's survey of "the Napoleonic Adventure," and Mr Thistlethwaite's chapter on "the United States and the Old World, 1794-1828." Both these historians have the knack of picking out clearly the main themes and illustrating them by vivid and judicious reference to the particular.

Everybody will probably have some complaint about how the space in these volumes has been apportioned, especially when the net has been thrown so widely to include science, literature, the arts and religion. This reviewer, for one, feels it to be rather odd that in volume IX (unlike volume VIII) there is no single chapter devoted to English political history. Economic and diplomatic history are dealt with in other chapters, more or less adequately, and admittedly a lot can be comprised under those headings. But what about the younger Pitt's achievements (and failures) as a war minister? Or the impact of the Napoleonic wars on the development of English politics? Or Catholic emancipation—the King Charles's head of English politics during the first thirty years of the nineteenth century? (The old Cambridge Modern History devoted a whole chapter to Catholic emancipation, but that was excessive.)

Two further complaints will be widely endorsed. The eventual publication of an atlas to go with the whole series is no excuse for omitting all maps from individual volumes; and it would surely have been better to have a regular bibliography at the end of each chapter, instead of relegating all bibliographical references to footnotes, which are reasonably full in some chapters but very exiguous in others.

CAMBRIDGE

Redundancy and the Railwaymen

DOROTHY WEDDERBURN

After *White-Collar Redundancy*, Mrs Wedderburn now investigates two railway workshops in Manchester and Darlington which had to close in 1963 as a result of contraction plans by British Railways. She uses these particular cases to form some general conclusions about the labour market and policy making. *An Occasional Paper of the Department of Applied Economics at Cambridge.* 20s. *net*

The Cambridge Economic History of Europe, VI

EDITORS: H. J. HABAKKUK & M. M. POSTAN

The sixth volume is in two parts. Part I is called *The Industrial Revolution and After.* Part II is called *Incomes, Population and Technological Change.* *The set,* £5 5s. *net*

CAMBRIDGE UNIVERSITY PRESS

Life and Death in Detroit

Dynamics of the United States Automobile Industry

By Charles E. Edwards.

University of South Carolina Press. 310 pages. $6.75.

In 1946 there were seven main firms producing motor cars in America. Now there are four. The "big three"—General Motors, Ford and Chrysler—are all going strong, but there is only one so-called independent left—American Motors Corporation—and it is looking none too healthy. In this wonderful year for Detroit its share of the market is smaller than it was in 1964. The story of the Independents' struggle to survive in a giants' world is full of fascination in itself and full of food for thought about other mass production industries. Where enormous economies of scale exist—as they do in the motor industry—can the consumer obtain the benefits without eliminating competition from smaller firms? And if the smaller competitors are eliminated will not the consumer suffer in the long run?

Dr Clark tells the story from 1954, when, to keep alive, the four independents merged into two, to 1963, when the weaker, the Studebaker-Packard Corporation, abandoned production of cars in the United States. He presents it primarily as a study in the field of business history, within the framework of the public interest, in the belief that the experience of the independents helps to illuminate the major forces at work in this industry and, to some extent, in others. For businessmen there are lessons in AMC's success and Studebaker's failure. But in Detroit as in other places it is easier, as the big three have found, to succeed if you have been successful in the past.

OTHER BOOKS

TAXATION IN ITALY. Prepared by Harvard Law School International Programme in Taxation (World Tax Series.) *Commerce Clearing House,* Chicago. 922 pages. $19.00.

RAILROADS AND AMERICAN ECONOMIC GROWTH Essays in Econometric History. By Robert William Fogel. *Johns Hopkins Press.* London: *Oxford University Press.* 311 pages. 56s.

THE CHINESE IN SOUTH-EAST ASIA (2nd edition.) By Victor Purcell. *Oxford University Press* for Chatham House. 639 pages. 84s.

Industrial Organization: Theory and Practice

JOAN WOODWARD

A full report of the author's empirical study of management organization in 100 firms in South Essex.

'. . . a classic . . .'

NEW SOCIETY 30 *line diagrams* 35s *net*

Development Finance

Planning and Control

URSULA K. HICKS

This book is the first attempt at a comprehensive survey of the field of development programmes. 28s *net*

Systems of Social Accounts

G. STUVEL

A demonstration of the results of effective accounting discipline of systems of recording statistics of national income and expenditure. 37 *text-figures* 40s *net*

Capital and Growth

JOHN HICKS

'. . . a comprehensive and comparative survey of the main methods of dynamic economics.'

SCOTSMAN 35s *net*

OXFORD UNIVERSITY PRESS

BRITAIN

REFORM OF THE LAW

Courts and Councils

By Kilbrandon out of Longford, the Government's proposals for young offenders have been delivered in a white paper*. They are presented for discussion only; but as the main lines of reform have been often argued about, and are a logical development from previous legislation, they are unlikely to be much modified.

Since 1933 there has been a statutory obligation on a juvenile court to have regard to the welfare of the child who appears before it. This principle applies whether he has committed an offence or is brought as being in need of "care, protection or control." Thus, far more purposefully than is the case with adults, the decisions of juvenile courts vary widely from one child to another, even though they have committed the same offence. So since crime takes second place and need not even be present, why bring the children to court at all? Both the Kilbrandon committee in its proposals for Scotland and Lord Longford's informal group accepted the logic of this last year, and the Government has now accepted it for England and Wales.

Under the new procedure children will be divided into two categories: under 16 (the future school-leaving age) and 16 to 21. Children under 16 who would now be brought before a juvenile court will be taken with their parents to a family council, appointed by local authorities and consisting of social workers and others "selected for their understanding and experience of children." The purpose of these councils will be, first, to undertake the sort of social inquiries about a child and his background that are now made by probation officers for the benefit of juvenile courts. The councils will then discuss with the parents the treatment recommended, which will be much the same as courts can now order, though fines will be ruled out.

It should be noted that the "treatment" is "recommended" or "suggested," for the councils will have virtually no powers. If the parents disagree with their suggestions, the case will be referred to a family court, which will also decide on disputes of fact. The family courts will be set up, like the juvenile courts, from panels of justices selected as suitable for dealing with the young. The same panels will provide young offenders' courts, which will exercise criminal jurisdiction over the second age group—the 16-21 year-olds. For the more serious offences the latter courts must have a legally qualified chairman, and the most serious ones will be referred to higher courts for trial.

*The Child, the Family and the Young Offender. Cmd 2742. 1s. 6d.

A reformed procedure will stand or fall by the people and the facilities for carrying out the recommendations of the new councils and courts. The approved schools for the under 16s will, with a few exceptions, be taken over by the local authorities and merged with the other forms of residential care; this will certainly make the arrangements for long-term care more flexible. Similarly, the senior approved schools will be merged with the borstals to form a comprehensive system of residential training for the older age-group. The real difficulty will be the shortage of social workers to carry out the essentially preventive work of supervising children (the great majority) not sent away and of advising their parents. Some probation officers are already transferring to child care work, but this is merely denuding one undermanned service to prop up another.

Apart from this practical difficulty in implementing the white paper's proposals, one serious objection of principle is bound to be raised. The family councils will meet in private and unjudicially, and though the parents can refuse any course proposed to them, they are then faced with court proceedings which will be held in public and recorded. Many will agree with a council's suggestions simply because of this sanction, and will bring pressure on a child to admit an alleged offence, which he may well not have committed, to spare them the shame of a court appearance. This agreement under duress is hardly the best atmosphere in which social work with a family should be undertaken. Further, the social workers, unlike probation officers, will be servants of the local authorities, which will be responsible for all forms of care and treatment. Will it be clear, to the child and his family, that in making suggestions they are acting impartially in his interests, and are not influenced by what will be easiest and cheapest for their employers?

These objections should not be held overriding. Against the possible denial of justice to a child (and nearly all young offenders at present plead guilty in a juvenile court) should be set the removal of the stigma of criminality, which middle class children avoid because their offences are dealt with by their schools and parents, and sustained support for the family. The present procedure may be just, as well as humane, but it has not been all that successful. If the new proposals are more effective in breaking a child's progression from court to probation to approved school to borstal and eventually to prison, they can surely be justified.

Juster Justice

The Donovan committee has made sensible and moderate proposals* for reform of the Court of Criminal Appeal. They have one main attraction for the layman: things would be easier to understand for, instead of a separate Court of Criminal Appeal, manned by ordinary judges, there would be a single Court of Appeal with civil and criminal divisions. The criminal division would need to sit in at least two courts, and in three for part of the year. In the first court the Lord Chief Justice would preside, assisted by a Lord Justice of Appeal and a puisne judge from the Queen's Bench: in the other two courts, most of whose work would be in hearing applications for leave to appeal, a Lord Justice would preside, with two puisne judges. The committee rightly insists that all these judges of appeals would also, during the year, hear cases in courts of first instance: no judge would have to spend all the year hearing criticisms of junior courts.

The committee also does something to tip the balance of the appeal procedure further yet in favour of the appellant. The time limit for lodging appeals would be extended from 10 to 28 days; the court would have more powers to admit evidence on appeal that was available, but not presented, at the trial; the time during which an unsuccessful appellant is in custody pending his appeal should no longer be added to his total sentence. Above all, despite the risk of frivolous or abusive appeals, the new appeals division should be able to allow an appeal against conviction by a jury, where it decides that the jury's decision was "unsafe or unsatisfactory"; and the court would no longer have power to increase a sentence on appeal. Perhaps more important yet, the burden on judges of criminal appeals would be more evenly spread: and because there would be a regular panel of judges of appeal, the court's decisions would be more uniform.

*Report of the Interdepartmental Committee on the Court of Criminal Appeal. Cmnd. 2755. HMSO. 7s.

POLITICS

London Labour

THE reform of local government in London has left its most powerful political organisation, the London Labour party, with a problem. This body was founded in 1914 and was later built by Herbert Morrison to a sufficient degree of strength to take control of the London County Council in 1934—a control which it retained until the LCC was superseded by the Greater London Council this year. Certainly, the new Greater London area covers all the ground in which the London Labour party operates—including all of Middlesex, which was brought into its sphere of influence in 1951. But it also includes areas which are still under the Labour party's eastern and southern regional organisations: and the old boroughs within whose boundaries the London Labour party was used to operating have been merged and enlarged into quite different units.

In the old days of the LCC, the London Labour party kept a fairly firm hand on Labour groups both in the LCC itself and in the various boroughs. It worked in conjunction with Transport House, even if its proprietary attitude over London local government (which it did, after all, dominate even when Labour was out of national office) led to some friction. It did not have so much influence over parliamentary elections within its area, especially where the parliamentary and borough boundaries did not coincide. Now, under the chairmanship of Mr Bob Mellish (MP for Bermondsey, and a member of Mr Crossman's team at Housing and Local Government), and with Mr Percy Bell as its acting secretary, it has a nominal membership of 421,943; 303,050 of these members are such in name only, being affiliated through their trade unions. What should be done with it?

This question is being discussed at the moment at Transport House. In the meantime, the London Labour party is likely to remain in being until after the next general election (whenever that may be). Evidently there are fears that the National Executive, jealous of a powerful rival, will destroy it and refuse to put a Greater London Labour party in its place. An anonymous pamphlet has been distributed to stir up opposition to such a move, even before any very definite proposals have been made. For the future, however, some Greater London party organisation should be set up. First, it would enable voters in London local elections to identify a local party and co-ordinated policy for which they could cast their vote, instead of having in mind a pale shadow of what is going on in national politics. Secondly, an organisation for the whole of Greater London would bring some sense of involvement in practical affairs to local Labour parties in boroughs where any such connection with practical affairs is at present weakest—the boroughs of outer suburbia which have been added to London and Middlesex to make Greater London. This would be not only of partisan but of national benefit. Boroughs where one party is dominant find themselves with undistinguished doctrinaire representatives and little political activity. The more marginals the better.

Saturday Night and Monday Morning

MAYBE the British do lead humdrum lives: but surely not so drear as seems to be revealed by the composite profile of a statistical chart. The BBC's Audience Research Department has identified a nation of automata, in its massive exercise* in discovering just what the population over the age of 15, and different sections of it, is doing during each half hour between 6.30 a.m. and midnight (or rather was doing in a particular week in April 1961). From these absorbing, dull pages seems to rise a chorus of kettles boiling, lavatories flushing and radios and tellies babbling in obedience to that creature, habit.

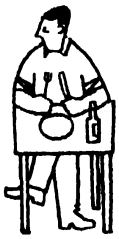
Naturally it was the radios and tellies that the researchers were most interested in and therefore their main purpose was to define the time spent at home, and to find out during how much of it their audience is in fact an audience. Is it mere coincidence that the publication of this document has come at a time when the BBC is known to be not unanimously opposed to taking ads itself?

The method of research—diaries kept by a sample of 2,300 people—has its limitations and so, inevitably, does the classification of the material into a few very broad categories. For example 18 per cent of the upper middle classes and 5 per cent of the working classes were said to be at "evening classes, meetings, etc." between 11 and 11.30 a.m. on Sunday morning but religious worship is not specifically mentioned. And where were the 2 per cent of men between 45 and 64 indulging in "other away from home activities" at this time?

Nothing is to be learnt here, for example, about the journey to work, except by implication from the discovery that the commonest weekday breakfast time is from 8 to 8.30, and 52 per cent of people are at work between 9 and 9.30—though as many as 25 per cent are at it before 8 a.m. One thing which must warm the BBC's heart is the widespread habit of getting up to the wireless. A few more random figures from this motley collection are shown on the right.

*The People's Activities. BBC Publications. £10 10s.

EATING

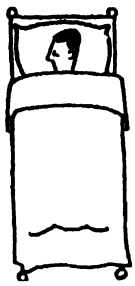


Breakfast, weekdays 7-7.30 a.m. for 17 per cent of men and 9 per cent of women/7.30-8 a.m. for 15 per cent of men and 20 per cent of women/8-8.30 a.m. for 16 per cent of men and 28 per cent of women.
25 per cent of men apparently have no breakfast at all.
Lunch is being eaten between 1-1.30 p.m. by 23 per cent of people on weekdays, by 30 per cent on Saturday, and 35 per cent on Sunday.
Evening meal 5.30-6 p.m. for 23 per cent of the working class/23 per cent of the lower middle class/13 per cent of the upper middle class.
6-6.30 p.m. for 20 per cent of the working class/25 per cent of the middle class/20 per cent upper middle class.
7.30-8p.m. for 2 per cent of the working class/3 per cent of the lower middle class/8 per cent of the upper middle class.

WORKING

14 per cent of working class people are at work between 7-7.30 a.m. on a weekday, but only 9 per cent of people educated beyond the age of 17.
31 per cent of working class people are at work between 10.30-11 a.m. on Saturday, and 23 per cent of people educated beyond the age of 17.
2 per cent of all adults work between 10.30 p.m. and midnight on weekdays/1 per cent on Saturday and Sunday.

SLEEPING



50 per cent of semi-skilled and unskilled people are in bed by 11 p.m. on weekdays/38 per cent of professional and highly skilled people are in bed then.
26 per cent of all adults are still in bed between 9-9.30 a.m. on Sunday.
1 per cent of all adults are in bed from noon to 7 p.m. on weekdays/2 per cent are in bed from 3.30 to 4.30 p.m. on Sunday.

RELAXING

Saturday night for the 15-24 year-olds: at 10.30-11 p.m. 20 per cent are at home watching telly/18 per cent are at the cinema, theatre etc./14 per cent are visiting friends/5 per cent are still with these friends at midnight.
Sunday afternoon, at 2.30-3 p.m., 7 per cent of people are engaged in outdoor sports and activities and 24 per cent are watching telly.

Stockbrokers and Their Belts

In the early years of the century it was always possible to start up a conversation with the wife of a City gentleman at a Guildhall reception by asking her how far she lived from Guildford in Surrey. It was seldom very far. Today the legendary stockbroker belt has lost its unique attraction, as the map shows. Members of the Stock Exchange—brokers and jobbers—have spread themselves widely. The most significant swing in fashion has been to inner London. But, in London and outside it, the City's western leaning remains.

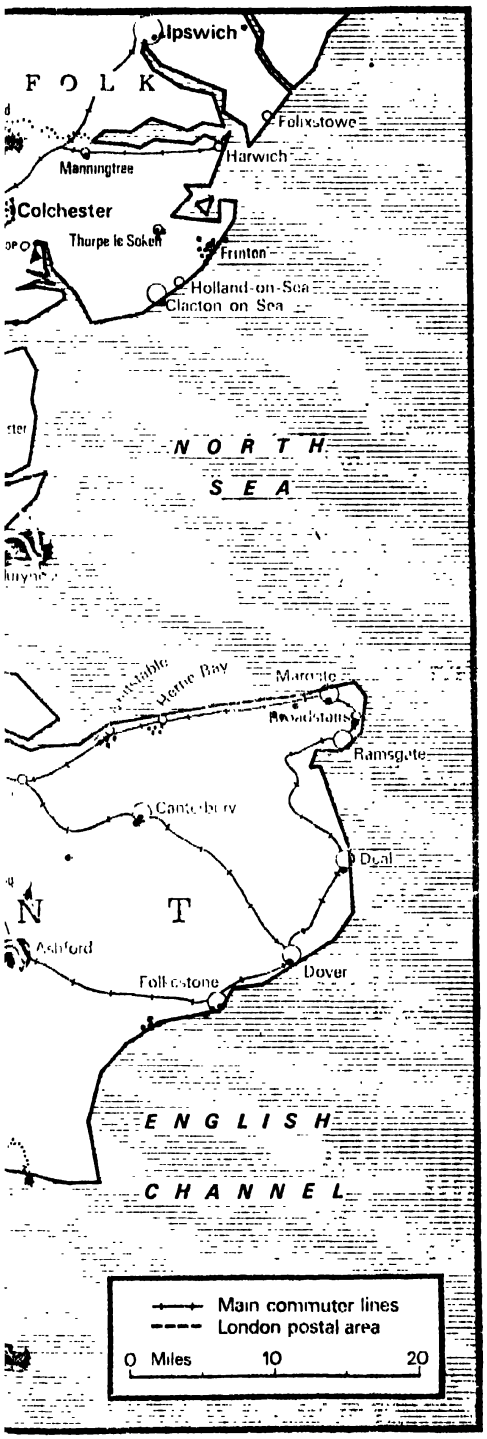
London postal districts now account f nearly a third of the total, 1,148 out of 3,5(This is 400 more than the Surrey score—itsc double the size of the next three counties: Ker Sussex and Essex. Most of these Londc addresses are in a wide belt round Hyde Par where even the lowliest basement costs over £1 a week. It could be, of course, that these a mainly *pieds-à-terre* from which members g home to misty if not grouse infested moors. Ar some, presumably part timers, do live at pa uncommutable distances—in the extreme We

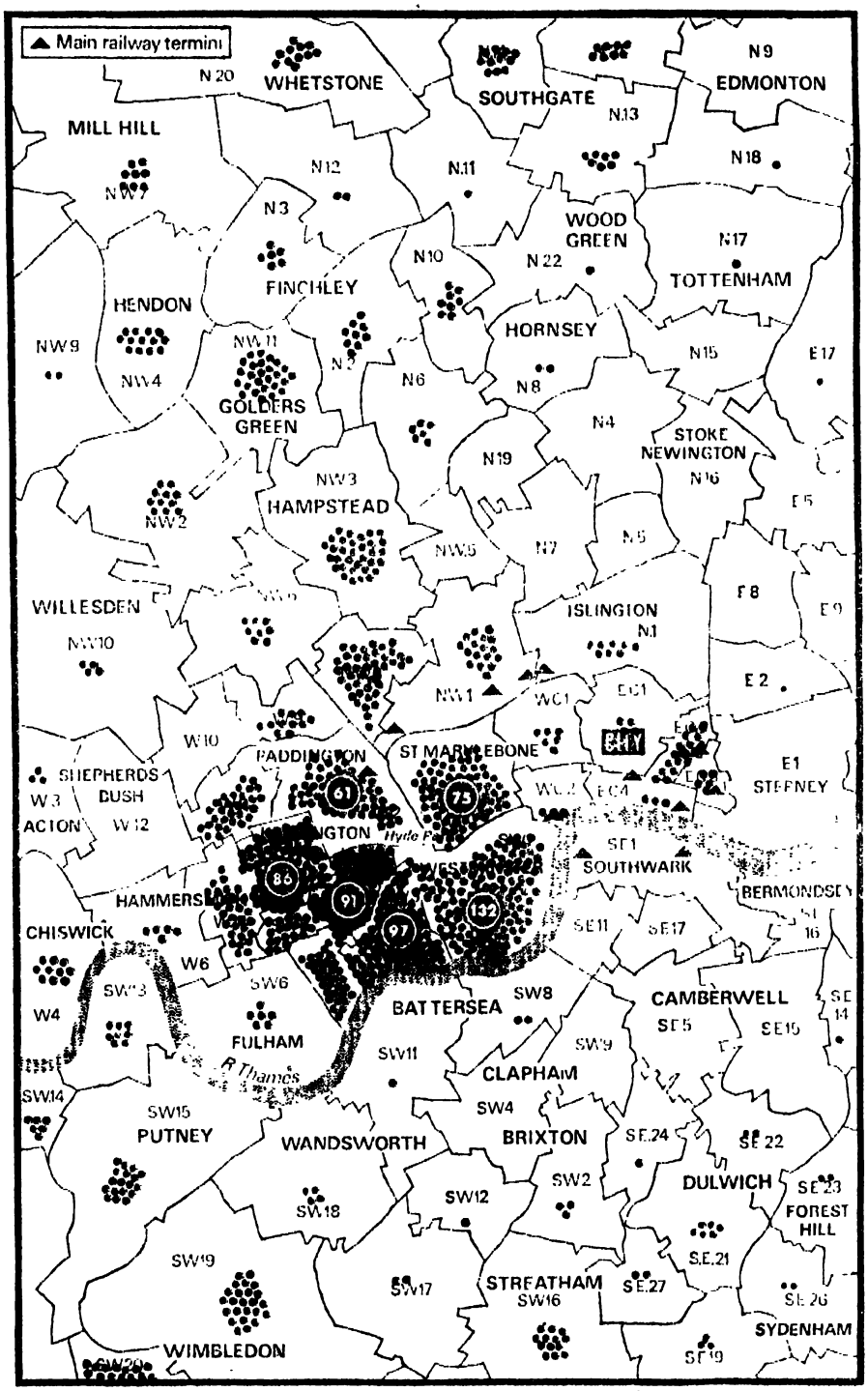
of England, the northern fastness of Cockermouth in Cumberland and the Isle of Bute. There is even one gentleman at St Maxime-sur-Mer in the South of France.

But the out-of-town members of the Exchange who have to commute daily tend to cluster round the stations with fast—mainly electrified—services to London termini convenient for the City: Victoria, for instance, is awkwardly far from the City, as is Paddington, but the fairly distant Waterloo has its notorious Drain—the tube to the Bank. The long electrified City termini like Blackfriars and Cannon Street are heavily used by commuters from the south east of London; but Liverpool Street and Fenchurch Street must have grown in popularity since the war as the lines into Essex and Hertfordshire have been electrified. It is perhaps surprising that so few members live in those parts of Buckinghamshire which have direct electrified services to the City. But so far stockbrokers seem as anxious to stay south of the river outside London as they are to be north of the river inside it. None apparently resides in by-electoral Erith & Crayford.

Where They Live

	No.	%		No.	%
Berks	78	2.2	Sussex	362	10.3
Middx.	98	2.8	Bucks.	75	2.1
Herts.	160	4.6	Hants	67	1.9
Essex	345	9.8	London	1148	32.7
Kent	341	9.7	Others	88	2.5
Surrey	747	21.3	Total	3509	100.0





BUSINESS BRIEF

A marked drop in bank advances and the quietest day of a slack year on the London Stock Exchange on Wednesday provided fresh evidence of the drift into recession.

So, in another way, did Imperial Chemical Industries' decision to raise additional capital now instead of waiting for the new year, as originally planned. ICI's £50 million borrowing implies long-term confidence, but the surprise timing suggests short-term uncertainty.

A delay in anticipated Russian bullion deliveries brought impatient buyers back into the London gold market and sent the price up again.

Britain's aircraft industry took fresh hope from British European Airways' request for a new 200-seat airliner.

AMERICA GOES BOOMING ALONG

As the summer ends Americans find themselves involved in an escalating war abroad and civil revolt at home. Hardly a happy situation. **But economically things have never been more blissful.** After 4½ years of steady growth, all the signals are set for the expansion to go on for at least another twelve months.

1. **Corporate profits went up during the second quarter**—instead of down, as had been expected. They were running at an annual rate of over $44 billion after taxes compared with $37 billion in 1964.

2. **Industrial output rose sharply in July**—instead of levelling off. Seasonal cutbacks were less marked than usual.

3. **Unemployment fell in July**—more than seasonally, to 3.6 million. The rate, as a percentage of the labour force, was the lowest since 1957.

4. **The balance of the international payments of the United States showed a surplus in the second quarter**—for the first time since 1957.

5. **Finally, and most important, the increase in government spending necessitated by the intensification of the war in Vietnam makes it just about certain that the boom will not level off early in 1966 as had been feared.** This fear accounted for the sharp fall on the stock market in June.

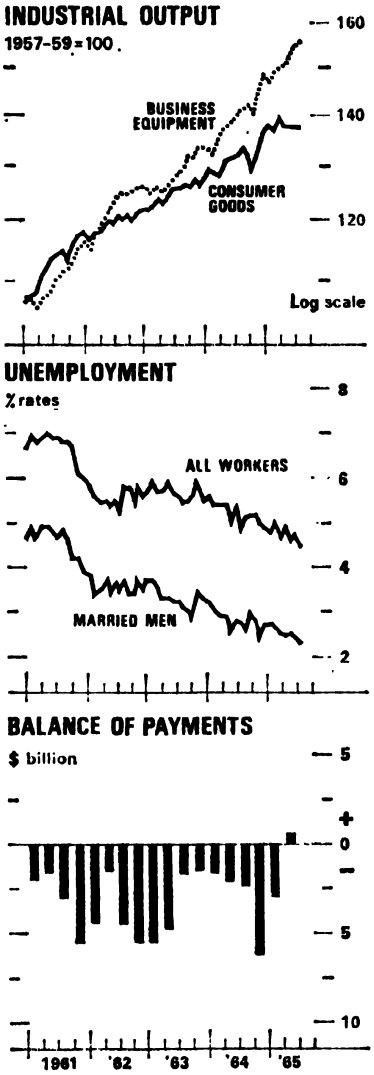
To many people the whole picture just seems too good to be true. As far as the balance of payments is concerned, it is—almost. Government spokesmen are emphasising this, to discourage any relaxation of the special "voluntary" efforts by bankers and businessmen that contributed to the sensational improvement in the April-June quarter. That surplus was $132 million, when adjusted for seasonal variations, compared with a deficit of $756 million in the previous three months. This was mainly the result of special and unrepeatable factors: in particular, the repatriation of deposits and other short-term investments held abroad.

The balance of trade was also exceptionally favourable in the second quarter. The dock strike at the beginning of the year disrupted exports more than imports; thus exports shot up more than imports when it was over. But on a broader view exports are now relatively stable and are likely to remain so until business expansion picks up in other countries. Imports are mounting steadily in step with the business expansion in the United States. Thus for the year as a whole the surplus on the trading account seems sure to be less than the whopping $6.4 billion of 1964. And American tourists are showing themselves much less responsive than bankers and businessmen to the President's plea that they keep their money at home.

Thus a deficit on America's international accounts is expected in the current quarter and for the year as a whole. But it should not be large. There is now confidence that it can be controlled without resorting to politically embarrassing credit restraints.

Impact of Vietnam

Until the end of July it looked as if the recent record levels of busi-



All figures seasonally adjusted. Industrial output of final products is shown by market grouping. Unemployment is related to the labour force in the same category. Balance of payments is the surplus or deficit on regular transactions shown quarterly but at annual rates.

ness spending on new plant and equipment might bring an excess of industrial capacity by the end of the year. And in January the social security tax levied on payrolls is due to go up. Government experts were worried about the effect these developments would have on corporate investment and consumer spending. Also by the prospect that the deficit in the federal budget might be eliminated before long. Consequently they were planning a further round of tax reductions to stimulate the economy.

Now the stimulus is coming from the stepped-up government spending on Vietnam. The immediate addition is only $1.7 billion, but more will be requested in January. For the current 1966 fiscal year, which ends next June 30th, outlays on defence will run at a little over $50 billion. This compares with an original estimate of $47.9 billion and with $46.2 billion in the last fiscal year. Already in July new orders for durable goods and backlogs of unfilled orders were up substantially. The main reason: increased business in the aerospace, aircraft and other defence industries.

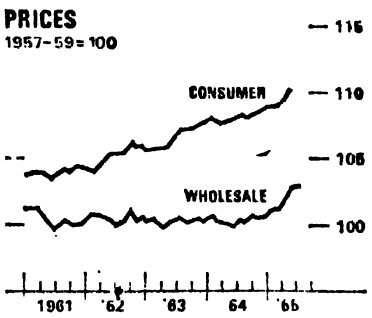
The influence of the increased spending on defence will, however, filter through the economy gradually. The main impact will not be felt until the new year, just when it will be needed most. And if this is not enough to keep the boom going, the plans for tax cuts can be pulled out again.

Inflation in the Air?

Of course the war in Vietnam may escalate up to the level of, say, the Korean war. Many people predict that it will, that the present official forecasts of increased spending are far too modest. They reckon the time will soon come when controls and allocations—and also curtailment of domestic welfare programmes—will be unavoidable. But so far these are unnecessary. There is adequate, even if no longer plentiful, slack in the economy. And $7 billion of extra revenue is added each year with taxes at present levels, leaving room for quite a lot more government spending.

Recent increases in prices, both wholesale (especially for industrial commodities) and retail, are causing some concern. The indexes have certainly turned up somewhat sharply (by recent American standards). But the blame falls chiefly on farm and food products, particularly meat; this is seasonal and is levelling off already.

More worrisome, however, are wages. Here recent increases have run around 4%, well above the average of 3.2% a year which matches the average increase in productivity and is therefore the officially-set non-inflationary maximum. The coming settlement in the steel industry—still a basic, if no longer *the* basic, industry—will give a broader indication of what is going to happen to wages. **But no serious pressure on them is likely to develop as long as young people continue to flood into the labour force. As they are going to do.** They are being absorbed more easily than they were but 1.3 million of them were still out of work in July.



All Eyes on Steel

A generous increase in steel wages seems inevitable if a strike is to be avoided. The deadline is next Tuesday, August 31st—unless the President steps in. But neither the industry nor the union wants a strike, particularly since the war in Vietnam would make it seem unpatriotic.

Strike or no strike, a cutback in steel production is coming. Users will be living off the stocks that they have built up as insurance against a stoppage. The unusual activity in the steel mills was one reason for the high level of industrial production in July. Another was the steady demand for new cars which kept the motor factories from shutting down as early as usual to retool for their new models. At least 9 million cars will be sold this year (500,000 of them imported). And the euphoric industry is predicting a similar figure for next year.

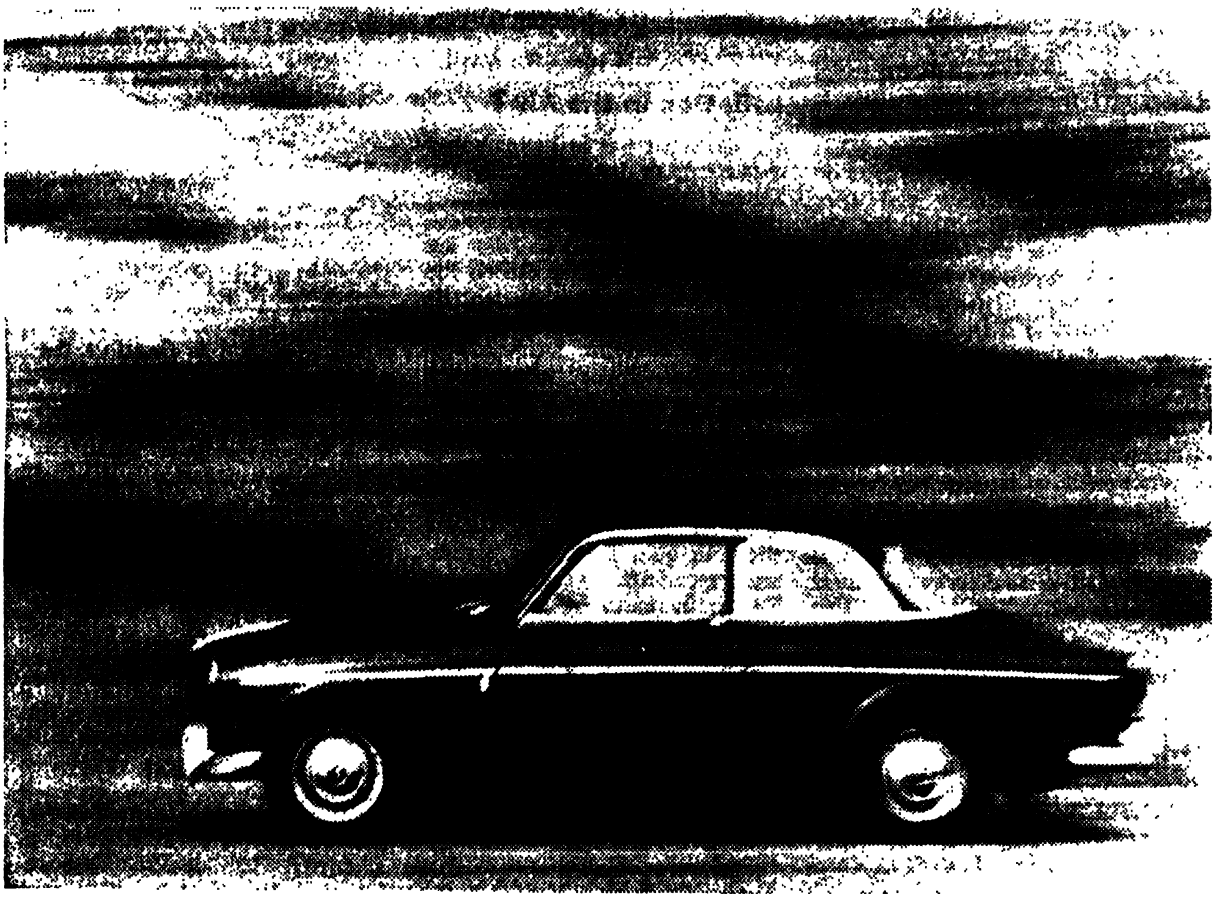
But both industrial output and retail sales have been broadly based lately as is natural when incomes are rising and confidence is great. In July retail sales bounced up sharply to a new peak after falling off in June.

Since the summer has been so much better than expected, economic activity in the autumn may look a little less buoyant than it might have done otherwise. But not for long. Oh, what a lovely war! (provided it goes on and does not go up).

KEY AMERICAN INDICATORS

	Month	Index 1958 100	Percentage change from: Previous month	Three months ago	Twelve months ago
Industrial production*	July	153·3	+0·8	+1·9	+8·1
Civilian employment*	July	113·8	+0·9	+1·5	+3·2
Unemployment*	July	73·0	-4·0	6·7	-7·5
Manufacturing productivity*	July	136·9	+0·4	+0·6	+3·6
workweek*	July	104·6	nil	+0·2	+1·0
earnings (weekly)	July	130·2	−0·5	+1·8	+4·6
Orders-on-hand durable goods*	July	130·7	+0·7	+2·0	+12·1
Consumer prices	June	109·3	+0·5	+1·0	+1·9
Retail sales*	July	142·3	+2·0	+3·9	+8·3

* Seasonally adjusted. Orders-on-hand and retail sales in value, not volume, terms. Workweek is the average number of weekly hours worked by production workers. Unemployment is among all civilian workers: level in July running at an annual rate of 4·5 per cent.



full speed ahead

The Volvo Group turnover increased during 1964 to Sw. Kr. 2,482.5 million (Sw. Kr. 2,173.6 million in 1963). At the end of the year, Group employees reached a total of 23,000. The products —cars, trucks, and buses—turned out by Göteborgsverken are in very great demand. Of the other products belonging to a widely diversified manufacturing programme, the following have aroused great international interest: the engine unit powering the ultra-modern tank S and the jet engine for the Swedish Air Force's new Weapons System, type 37 "Viggen" (Svenska Flygmotor), the Aquamatic 200 (Volvo Penta) and the GMA-Levey web offset-press (Grafiska Maskin AB).

From the point of view of turnover, the parent company, AB Volvo Gothenburg, is the largest industrial company in Scandinavia. The turnover increased from Sw. Kr. 1,465 1 million in 1963 to Sw. Kr. 1.636 5 million in 1964.

During fifteen years the exports of the parent company have been increased by more than fifteen times. AB Volvo is the largest individual exporter in Sweden, its products being sold in approximately 100 countries. At present a new assembly factory is under construction in Ghent (Belgium).

Consistently outstanding Swedish quality and high performance have made the powerful expansion of Volvo possible

Out of the Volvo factories roll cars trucks buses cross-country vehicles, tractors, building contract machines and agricultural machinery. In addition there are printing presses, machine tools, jet engines, marine engines, etc.

VOLVO

BUSINESS

New Postures in Untad

The United Nations' untidy new trade and development body is giving its secretariat a lot of headaches. It is also promoting some important shifts in international attitudes.

SOME developing countries are grumbling in Geneva this week that so far they have got nothing out of the United Nations Trade and Development Conference which 14 months ago was supposed to open a new era for them. Dr Raúl Prebisch, who fought harder than anyone to give the new organisation a permanent existence, expressed his own feelings of fatigue and frustration to the second session of the Trade and Development Board. He asked the delegates to give him more time to organise his secretariat. He also suggested that they should stop deluging him with a multiplicity of special committees and studies and meetings which made it impossible for him to get down to serious work.

Yet Untad's secretary-general must be more aware than anyone that the new organisation has had a real impact. The United States, which remained unrepentantly negative and sceptical throughout the first conference in March-June, 1964, is now showing a quite different interest. Untad has put a new pressure group on the map in the shape of the "seventy-five" (they were more often seventy-seven, but numbers stick). The General Agreement on Tariffs and Trade (Gatt), which the developing like to think of as the rich men's club, has since been busily showing how development-conscious it has always been.

Dr Prebisch's own strategic role as interpreter, moderator and guide to the 75 has also emerged more clearly. He wants another ten months to prepare for action. He had aimed originally at creating a relatively small secretariat—a carefully chosen 200—but now he thinks he will need about twice as many to cope with the volume of work. So far only about 30 have joined him, to be submerged immediately under a deluge of paperwork created by the developing countries' impatience and enthusiasm. Those of his team who have arrived are scattered about the vast Palais des Nations in temporary offices while the townspeople of Geneva carp at the appearance of yet another international organisation among them. The Italians are now pressing the rival attractions of Rome, while Lausanne proffers a Swiss alternative. As if there were not enough distractions, there is also the problem of finding a working relationship with Gatt—a problem made no easier by the demands of some developing countries that it should immediately become subordinate to Untad.

Officials who have known Prebisch since his days as head of the United Nations Economic Commission for Latin America say that the first year of Untad has put a heavy strain on his physical resources, but that once he gets his secretariat in working order he has the administrative and political skill to start getting results. The question then is, what results are possible—or likely?

Untad has espoused four main issues: raising commodity prices; getting preferences in the markets of developed countries for the exports of the developing; obtaining more financial aid and compensatory financing; and reducing the developing countries' heavy external defict on invisible trade.

Of the four issues, commodity prices is the only one that has got off the ground—though not very far off it yet. Untad's committee on commodities has agreed that three commodities—cocoa, sugar and coffee—give cause for immediate concern and that at least nine other commodities or commodity groups—copper, cotton, iron ore, lead and zinc, rice, rubber, tea, tobacco and vegetable oils—require close attention. A United Nations sugar conference has been called by Dr Prebisch to meet in Geneva on September 20th and negotiate a new international sugar agreement. A working party on cocoa in October is to consider short-term relief measures. There will be a new attempt at setting up a world cocoa agreement as soon as there is a chance of success. The International Coffee Organisation is still making ground, with the prospect now of the World Bank coming in on a scheme to limit production (rather than exports) and finance a shift of resources out of coffee.

The present status of commodity agreements in Untad is that everyone is in favour of them officially, "provided they work," but with limited degrees of real commitment. National views range from the French, who hold that in general they should work and have a financial interest in seeing that they do: to the Americans and the British who maintain openly or covertly that they usually do not, and have a financial interest as consumers in seeing that they do not. The secretariat's view is that they can be made to work, with patience and perseverance and provided there is a commitment to them from both producers and consumers; and that there is no acceptable alternative. The secretariat is to draft a general agreement on commodity arrangements which will be a sort of charter for primary producers. Ultimately, production control must be the crux of any scheme that aims at raising artificially the price of agricultural commodities, which are the main problem. When so many primary producing countries have no equally remunerative employment to offer their

farmers, production control presents them with acute political difficulties. Yet diversification could contribute more than anything else to these countries' development. The Untad secretariat's view is that well-designed agreements, backed with a real commitment and the provision of financing from the rich countries, would make it politically much easier for the primary producers to break out of their vicious circle. One remains sceptical, both on desirability and on practicability.

On preferences, Untad has so far got nowhere. A special committee that met in New York in May was presented with a United States memorandum that set out to show that the preferences would be of little value, since tariffs were already low on most of the manufactures and semi-manufactures the developing countries were interested in exporting; and that their application would raise big administrative and political difficulties. The developing countries have not yet thought of an answer. Britain and France are officially in favour of preferences, though the French believe that they should be granted on a regional basis, rather than to developing countries in general. They argue that general preferences would benefit mostly the more advanced developing countries, like India, Hong Kong, Israel and Mexico, who would be able to drive the weaker ones (including the former French African territories) out of the developed countries' markets. Real discussion has not yet begun on the other issues.

This is the tally so far: a prospect of action on two crisis commodities, a stalemate on preferences, a trail of committees on other problems. Dr Prebisch's statement this week that the Trade and Development Board ought to limit its work to the essentials over the next ten months suggests that the second full session of Untad will be convened in 1967, rather than early in 1966, as was once hoped. As a practical influence on world affairs, Untad is therefore unlikely to develop its full potential inside the United Nations Development Decade, which we are more than half way through.

Taking a longer view, Untad has begun a process that will inevitably be slow but may prove irreversible. The western countries went to the first Untad mainly concerned to defend themselves against an expected propaganda attack from the Russians. The attack never materialised because the Russians realised that the 75 were as likely to bite the communists as the west. When it came to the crunch, with the 75 trying to force their resolutions through, the communists and the west formed a united defensive front. Politically, the show was stolen by Britain. Mr Heath, Britain's chief delegate, broke out of the west's negative circle with a 10-point plan that won applause—but would cost Britain nothing more than she was already committed to, except in the unlikely eventuality of all the main industrial countries accepting it. The proposals of the French and the common market for "market organisation," although they fitted in with Dr Prebisch's ideas, had much less éclat. Prebisch regards the Heath speeches as the best thing that happened at the conference, and the best thing Britain had done in international trade relations for twenty years.

The first Untad demonstrated two things. If the communist block and the west lined up together, they could resist unwelcome demands from the 75 without too much loss of face. But British behaviour at the conference showed the Americans that their own negative attitude to most of Prebisch's ideas was a tactical mistake. What happened in the committee on manufactures this month suggests that the negative alliance of the west and the communist powers is breaking up, with each of the main participants more ready to play for his own diplomatic advantage. The biggest shift was in the United States position, and Washington is under continuing pressure, both from international officials and from economic advisers at home, to stand a little less pat on its classic liberal principles.

This is not to say that any of the developed countries will easily abandon its positions, based on national interests. But it does mean that Prebisch and the 75 now have more levers and more openings to apply pressure. Preferences are now getting detailed consideration in Gatt, to Prebisch's satisfaction (the more detailed work that can be left with existing bodies other than Untad, the less pressure there will be on his resources). And the American insistence on bringing agriculture into the Kennedy round has already widened the area in which commodity agreements are being discussed. To negotiate on agriculture, the western industrial countries are being forced to rationalise the domestic commodity support systems they all run (however much some of them profess liberal principles).

The communist countries have not got a new stick to beat the west; they have got a body that will sooner or later start asking them very direct questions about their import policies. The experience will not be entirely unwelcome, since the communist countries are increasingly keen to prove themselves "good MFNers," as one American official put it; and are still dithering over the prospective advantages of engaging in more multilateral trade.

Untad has thus promoted a new distribution of power in international economic relations. Not all its manifestations are welcome to the secretariat. Thus there have been embarrassing demands from some of the developing countries—notably Tanzania—for rigorous and detailed checking on developed countries' implementation of Untad resolutions. They would like, in short, to turn Untad into a sort of Gatt with compulsory powers. Dr Prebisch believes this would be carrying pressure tactics much farther than is useful. He is also worried by the tendency of the existing regional preference systems—the Common Market with its associate members, and the Commonwealth—to stimulate demands for further regional systems from those who are excluded. In particular, he is worried by the suggestion made by some Latin Americans that they should obtain "counter-preferences" in the United States to offset African and Asian producers' advantages in the common market and Britain.

Untad's power may be unco-ordinated still, but it is there. Eventually, the idea of selective preferences for developing countries (already being applied by the Australians) should allow Prebisch to promote a compromise between the proponents of general and regional systems. On commodities, a healthy scepticism is needed. World agreements would not be helpful for many of them. But for those where they are useful (coffee seems to be an example) Untad should be able to push the developed countries into the co-operation of consumers that is a necessary—but still far from a sufficient—condition of successful price stabilisation.

Whisky Sour

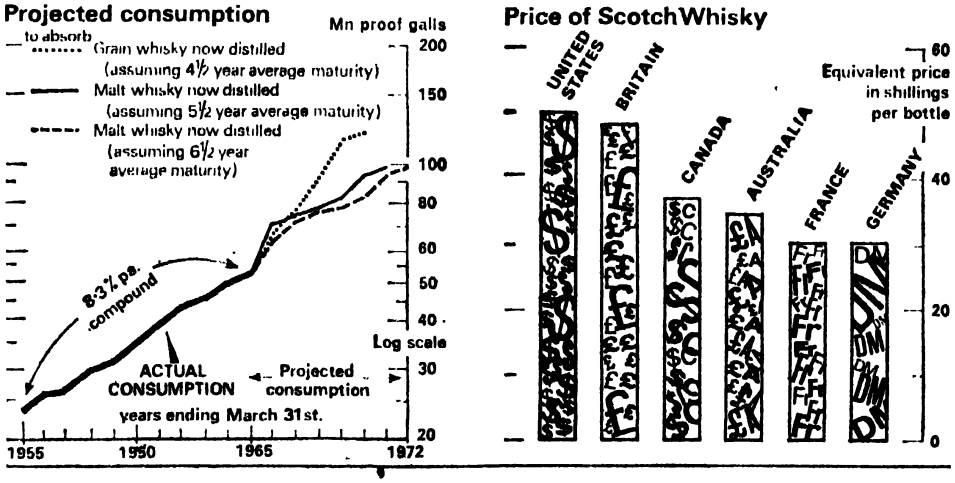
At first sight, the Scotch whisky industry is hardly a moderniser's ideal, with its dedication to mumbo-jumbo and its domination by one single organisation, with an estimated 70 per cent of the business. Nevertheless, it is probably the country's fourth largest exporter, after vehicles, steel and tourism and so commands respect.

By volume, exports of Scotch whisky have doubled since 1958, quadrupled since 1949 and this year should bring in £100 million in foreign exchange. Although exports first overtook home consumption of whisky as far back as 1937, the industry's export orientation really derives from the last war. Then the limited supplies of barley meant that distillation was cut back sharply—almost to nothing for part of the war—and the industry had to live off its maturing stocks. The result was a serious shortage of mature whisky after 1945, from which the industry is only now emerging. Supplies to the home market were sharply reduced—in 1948-49, for example, to less than 40 per cent of 1939 consumption—but the shortage undoubtedly affected exports also. From about 1950 onwards the build up of demand, especially overseas, surpassed all expectations and it was not until 1959 that the last restrictions on supplies to the home market were removed. Distillation, which must necessarily be based on estimates of consumption at least six years ahead, was at last keeping pace with consumption. In fact, more so. In the early 1960s the first warnings of overproduction were beginning to be heard. They proved wrong then. They are now louder, and being taken more seriously. Stocks of maturing whisky have edged up from seven years' consumption in 1956, to nine years'.

Nobody can say for certain whether there is overproduction or not. It is impossible to estimate demand accurately six years ahead. Even if one could, the problem would not be solved. There are as many different types of malt whisky as there are distilleries. Although there is some interchangeability (in a complicated way sometimes: A and B might be used in a particular blend instead of C and D, or the proportions could otherwise be varied), overproduction is not nearly so serious a problem as with grain whisky, which is a much more nearly homogeneous product. Different types of malt whisky are matured for different periods of time. The proportions of grain and malt in total consumption, say six years ahead, could be different from now. Accordingly, any estimates of the degree of overproduction must be tentative.

The chart below is based on the assumption of an average maturity period of 4½ years for grain whisky and 5½ or 6½ years for malt whisky, and assumes the ratio of malt to grain in future consumption remains at about 35:65. It shows that for recently distilled stocks of malt whisky to be absorbed by consumption as they mature, world consumption would have to continue to rise at its present rate of 8 to 9 per cent per annum or slightly more. This is not impossible. But to absorb the stocks of grain whisky, the rate of increase would have to be much higher. If it is not, some distillers will have to hold on to their stocks longer than they would like, which would be expensive both in finance and storage space. Those who might suffer would include the new Invergordon distillery, owned by London Merchant Securities, and just ready to start marketing; the Distillers company itself which is a seller of grain whisky; and any other grain whisky distillers without blends of their own.

If the overall rate of consumption cannot be guessed, at least some of the factors that swing it can be isolated. In the home market, the most obvious is the rate of duty. Annual consumption has risen about 80 per cent by volume since 1955. This is a fairly handsome underlying rate of growth, those perturbed by this descent into alcoholic addiction might be relieved to know that this rate of consumption is for Britain as a whole still only a quarter the level of 1900. Duty increases in 1961 and 1964 levelled off the consumption of whisky for a time. The consumption of spirits fell temporarily, but gin, now a more or less static market, seems to have been the main sufferer. The effect of last April's duty increase has been less severe, having coincided with the breakdown of resale price maintenance in the wine and spirits trade. The heavy flood of anticipatory buying before the budget makes it difficult to judge what has happened since, but the charge that the duty has now reached unreasonable levels is hard to support until there is some evidence that it is leading to an actual fall in revenue. The present 34s. per standard bottle compares with 8s. 7d. pre-war. It now represents 70 per cent of the recommended retail price of 48s. 6d. against 69 per cent in 1939 The tax burden has changed hardly at all.



But the Scotch whisky industry is no longer particularly upset about increases in the duty in the home market for their own sake. Nowadays over 80 per cent of production goes abroad. What is causing far more alarm is the possibility that increases in the British rate of duty on Scotch will be matched by parallel increases abroad. Theoretically, this could cripple the industry's exports. Whisky in most of its overseas markets is still very much a minority snob drink, despite the climb in consumption and its snob reputation makes it the first and favourite target for import restrictions. Only in 1964 did the volume supplied to

the rest of the world overtake shipments going to the United States. The American market for Scotch is now growing more slowly than the world market as a whole and the main breakthrough in the last few years has come on the continent of Europe with France the industry's second largest overseas market—its consumption having increased eight-fold since 1957. Australia, Germany and Belgium come next. The consumption of the six common market countries as a whole is still only a quarter of the American and the balance of the Scotch exported is split amongst almost all countries.

But the market that gives the distillers most hope, and could make nonsense of predictions of gloom, is that developing out of the rising affluence of east European countries ; the first significant consignments of Scotch have been finding their way through the Iron Curtain. The industry is jubilant at the prospect of this enormous new hard-drinking market opening out before its eyes. Even communist China took 1,491 proof gallons (about 12,000 bottles) in 1964, presumably not all for entertaining official visitors.

The international smart drink of the moment happens to be Scotch whisky. Whether it will always be so is less certain. Fashion, especially a snob fashion, is a perilous basis for an industry as big as this. And the whisky habit abroad is still relatively new. In 1900—out of a world consumption about the same level as today—only one-fifth went abroad. It is still too early to say the whisky boom is establishing a permanent habit. What seems more permanent is Scotland's hold over the market. That Scotch should be regarded so unquestioningly as " the best " is a supreme public relations achievement, but precisely what distinguishes Scotch from other whisky is still unknown. Some of the many Americans who have entered the industry in recent years have tried gas chromatography to find out. As indigenous Scotch whisky men are only too pleased to explain, they got nowhere. This has not stopped the larger distillers keeping their own gas chromatography techniques up to date, just in case. Some of the special factors that give Scottish malt whisky its character have been isolated, like the water (" pure and undefiled from some wee burn of Scotland, bubbling down through the folds in the hills and mountains ") ; and the climate (" mountain air blowing free over the burns of Scotland "). Some of these can also, significantly, be found in Japan. The necessity of drying barley, after malting, with " burning peat cut into brick-sized blocks from the wild moorlands " looks like a bit of old Scottish codswallop, but blending is a genuine and highly intricate skill, needed to keep the blend flavour unchanged even though the flavour and proportions of the individual whiskies in it can alter. This skill, though, could presumably be acquired by anybody. The most valuable know-how still lies in the actual operation of distilling. To the outsider the process looks a mixture of unique skills and ritual incantation. Undoubtedly the distillers know in enormous detail what they are doing, even if they do not always know exactly why they do it and to a remarkable degree the industry still depends upon a tiny circle of sorcerers. It has been estimated that if eighty key Scotsmen were abducted, the Scotch whisky industry would cease to exist. Upon the skills of these eighty men depend £100 million of Britain's exports.

Opec Gets to Essentials

The international oil companies are accustomed to Middle East governments pressing them for more money: now they are being asked to relinquish major management decisions as well

It was cuts in the price of oil that brought the Organisation of Petroleum Exporting Countries into existence just on five years ago, and prices are what several of its members have remained most interested in ever since. It is not difficult to argue quite logically that prices—at least the prices actually paid for oil—are not directly very important to most Opec member governments now. But the fact remains. And prices are the subject of a resolution that these governments finally passed at their conference in Tripoli last month. Deceptively mild in its wording, this resolution nevertheless challenges the right of the international oil companies to take —alone—what many people would consider their most essential day-to-day management decisions.

This Opec conference, of which the resolutions were published only this week, resolved

> To adopt as a transitory measure a production plan calling for rational increases in production from the OPEC area to meet estimated increases in world demand:
>
> To submit a production programme to the governments of member countries for approval.

Opec sees this as one possible way of beginning to counteract the " continuing erosion of crude and product prices " that is worrying it—and a lot of traders in the world oil business too. In its view, one of the factors contributing to this erosion is the " unrestricted competitive use of the excess producing capacity," which it now wants to reduce.

The organisation is very insistent that it does not want to restrict the actual production of oil, or the growth of production. It wants to ensure that consumers everywhere go on getting all the oil they want. What it wants to restrict is the competition to supply each extra gallon that consumers demand—which exerts the downward pressure on prices.

How can it do the one thing without doing the other ? It thinks it has found a way. What it proposes is to set a programme based first upon an estimate of the total growth in demand for oil over twelve monthly periods. That gives it an average growth of production for Opec members taken as a group. The organisation then works out a programme for agreement with each member government of the varying rates of growth of production that each Opec member, within this total growth, should be allowed. The rates of growth will vary, in some cases quite widely. But the essence of the programme is that crude oil sales from each country shall be adjusted so as not to exceed, during these twelve months, the tonnage agreed for it (last year's production plus its agreed percentage). But customers who demand

extra oil from it will not be refused oil. They will be passed on to some other Opec country that has not yet reached its agreed tonnage for the year and is thus free to sell them oil without breaching the agreed Opec programme.

Opec does not pretend that it can forecast oil demand perfectly a year ahead. It envisages that it will be checking at least quarterly to see how far demand and exports of oil from Opec countries are matching its estimates. By the end of the third quarter of each twelve-month period, however, it thinks that it ought to know enough to adjust its estimate of total growth in output for the whole year. If necessary, it would also adjust the percentage increases for each member country. More important, it would then be in a position to point out to particular countries that some were running ahead of their agreed percentage growth and would be wise to be ready to pass over orders to other member countries whose exports happened to be running behind.

Even if this plan could be accepted at face value as likely to work—which it cannot—it would depend upon much greater self restraint and solidarity from the member governments than any Opec decision has ever required before. It would require some of them, in any year, to be turning away customers and cash—the income tax they derive from every extra barrel of oil sold from their country. For some of them, whose national companies participate in the actual commercial operations, it would perhaps mean turning away their share of the profit too.

No Westerner is ever wise to take it for granted that marginal cash is of overriding interest to an already rich nationalist oil-producing government. Other things matter too, and can matter more. But it is fair to note that for a majority of Opec governments any eventual increase in the actual prices paid for oil, which might theoretically result from this whole exercise if it worked, would make little if any difference to their own revenues. The income taxes that the Middle East members of Opec draw from oil are reckoned according to the " posted " prices published for crude oil, not according to whatever prices are actually paid or invoiced for it. So even if the oil prices paid were to rise, their tax revenues per barrel would remain the same. Only Indonesia, Libya and Venezuela, of Opec's members, draw taxes related to the profits made at the prices actually " realised " for oil.

It is true that even countries whose tax per barrel does not depend on actual prices realised for oil do not want to see further price erosion make the oil companies once again reduce also the posted prices on which their own revenues per barrel depend. And under the royalties settlement that some of them accepted early this year, these governments also argue that their chance of getting continued slight increases in unit revenues from 1967 onwards will depend on being able to produce evidence to the companies in negotiation that prices actually realised in the market, by then, are rising. But whether companies, now, would soon again dare to cut the posted prices is doubtful. Nor is it clear that the governments would really need evidence that prices are going up—which at present they would be unlikely to be able to produce—to squeeze out a little extra revenue per barrel next year.

Leave aside, however, this need for unprecedented self restraint and solidarity. The real reason why this quite ingenious Opec programme cannot be accepted at face value as likely to work is that at present its member governments have no say whatever in how much oil is exported from their countries. This is entirely up to the concessionaire companies who produce the oil there. At present, this is one of oil's facts of life. It is not difficult to understand that nationalist governments may resent this. But it is equally easy to understand that the oil companies concerned will resent any attempt to change it. And they may possibly resist it more squarely than, say, the kind of financial demand they are more used to from Opec.

In the four main Persian Gulf producing countries the concessions are operated by joint companies owned by different selections of the international major oil companies. Most of these companies also operate singly or jointly in other Opec countries. Each of the majors, therefore, is in a position to satisfy demands upon it for crude oil, allowing for quality, from a variety of sources. It will arrange its pattern of supply according to the combination that suits it best–

The power to do this is of enormous value to any international company which is not merely producing in a variety of countries but refining and marketing oil products in many others and also running the tanker transport in between. In each of the joint Persian Gulf concessions there are various rules governing " offtake " by any of the shareholders, so that any company's freedom to take oil from some at least of its sources will be circumscribed to some degree—but not by governments. It can be argued that this control of offtake is the one prerogative essential to management of an international oil company. But if it is governments, working to an agreed Opec programme, who are to settle how much oil is taken from each country each year, then ultimately this power would have shifted to the governments.

This mildly phrased resolution of Opec's, then, commits its member governments to trying to take over one of the central management prerogatives of the international oil companies. Most of these companies are convinced, at any rate, that this is an essential if they are to go on conducting their business. The governments chose this direct challenge with their eyes open, even though their motives may have been mixed in doing so. Some of them may imagine that the companies might meekly co-operate. Certainly stabilisation and an eventual rise in oil prices might suit the companies too. But not necessarily enough to make them willing to hand over the ultimate control of their business to governments in exchange. Easterners would be unwise to assume that the chance of marginal cash—eventually, and maybe—is of overriding importance to rich capitalist oil companies either.

Opec's new programme will provoke a barrage of tempting questions of detail, justification, and implication. But let the minutiae wait. What all concerned—including oil consumers—need to get clear is that this will be a collision of principle, and one in which it is not at first sight easy to see much area of potential compromise. And not one for the far future either. That mild wording is also, perhaps incidentally, disingenuous. Opec has not still to submit a production programme to its member governments ; it has done so and they have approved one. And the first twelve months' period began on July 1st this year.

BUSINESS □ INTERNATIONAL

AMERICAN BOND MARKET

A Turn in Interest Rates?

RUMOURS that the Federal Reserve gave very substantial support to the New York government bond market on Tuesday seem to be just that. The Fed itself will neither confirm nor deny the story. And some observers in New York insist that there was no intervention at all on Tuesday, and only modest support on Wednesday. But the flap does bring home the very marked change in market sentiment that has occurred over the past few weeks.

Two months ago, there was much talk of the "temporary" nature of the props to America's long business boom and of still substantial margins of unemployment and unused capacity. Moreover, the country's external payments were known to be improving nicely. From a bond dealer's very special point of view, all was well. Now the prognosis is very difficult indeed —more so than the actual facts. After digesting official warnings that America's payments will have moved back into deficit in July-December; the recent increases in interest rates in Canada and Germany; and the domestic implications of the build-up in Vietnam, analysts have grudgingly come to the conclusion that America's interest rates too will be forced up—all along the line.

Investors have been inclined to agree, and have acted on the advice. Sporadic selling in a market where buyers have been notable for their absence has been forcing down prices, gently but almost without pause, for over three weeks. At the end of last week, indications of official moves to check the slide gave a respite. But no more than that. By Tuesday selling pressure had again built up. For all of that, actual changes in yields and prices have been anything but dramatic. Yields on long-term bonds now stand at 4¼ per cent against 4⅝ at the end of July. The authorities could hardly have felt entirely unhappy about this now that America's boom looks so well assured. In the swinging debate in Washington between the Council of Economic Advisers and the Federal Reserve, the expansionists may feel less need to resist Mr Martin's pressure for some rise in interest rates. Indeed, one New York broker argued this week that what was significant was not that the authorities gave some support to the bond market last week but that they were almost wholly out of the market the previous two.

KEY INDICATORS

WORLD COMMODITY PRICES

Many commodities had a grey week although the general level of prices was maintained. **Sugar** reached a new post-war low of £18 15s. **Sisal** slipped £2 to £86. Zinc weakened. Only **copper** went up substantially, because of renewed labour troubles.

Among foods, **wheat** and **meat** advanced further. And **cocoa** lifted feebly to 117s. 6d. a cwt.

The all-items indicator **rose** by 0.2 points over the week (to August 25).

	Index 1958=100		Percentage change on*	
	Aug. 18	Aug. 25	One month ago	Twelve months ago
ALL ITEMS	102·6	102·8	−0·7	−2·9
Food	96·5	96·6	−1·5	−7·3
Fibres	100·0	100·3	+0·3	−5·0
Metals	205·7	208·1	+0·9	+14·0

The Economist Commodity Price Indicator includes nineteen commodities weighted according to their relative shares of world trade in 1958.

** Changes relate to this week's figures, but these, except for the metal group, are provisional because quotations for tea and wool are not yet available beyond last week.*

AUSTRALIA-NEW ZEALAND

Free Trade Ahead

Canberra

THE Australian Government is clearly delighted with the terms of the free trade agreement now finalised with New Zealand. The agreement provides that items covering 60 per cent of the trade between the two countries will become free of duty within eight years. The bulk of these items are already duty free. On the Australian side the confident belief is that by the end of eight years more like 80 per cent of mutual trade will be duty free. New Zealand retains the right to withdraw items presently included in the "duty free" Schedule A. This was necessary in order to permit the accumulation of enough trade items to total the 60 per cent of mutual trade thought to be needed to convince the General Agreement on Tariffs and Trade that this was not merely a device for introducing new preferences.

On paper New Zealand appears to have gained most. But Australians are confident that the agreement will allow the recent vigorous growth of Australian manufactured goods to New Zealand to be continued. New Zealand has undertaken to absorb the existing trade agreement in force since 1933 into the new agreement. Under the old agreement Australia's exports to New Zealand grew from £A2.7 million in 1932-33 to £A79.3 million in 1964-65; while over the same period New Zealand's exports to Australia grew from £A1 million to only £A23.3 million. Looking to the future Australia envisages a growing role in the industrialisation of New Zealand and growing integration of industries in both countries. New Zealand's main interest in the agreement was in the assurance of a future market for its forest products; New Zealand is now assured a preferred position in the growing Australian market for timber, newsprint and pulp among other forest products.

To encourage New Zealand to make the sharp and formal break with its past that the new agreement represents, Australia's trade minister, Mr McEwen, was prepared to "bite on the bullet" of improved access for New Zealand primary products to compete with Australia's highly protected and often extraordinarily inefficient primary industries. Items on the duty free list of importance to New Zealand include frozen peas and beans, dried vegetables, cheese and pork (with an import quota attached however), lamb and timber and paper products. A significant New Zealand concession was the provision that where import duties levied on Australian goods are higher than the lowest rate applicable to goods imported from any third country, then the difference disadvantageous to Australia will be eliminated. Needless to say the relevant third country in this context will usually be Britain.

GERMAN TAXES

The Swiss Sue

Basle

A TEST case has been brought against the German Federal Republic by angry Swiss holders of German bonds, now subject to the 25 per cent withholding tax on fixed-interest bearing German securities in the possession of foreigners and German citizens living abroad. The tax was introduced in 1964 to check the inflow of foreign capital and is levied not only on new, but—with a few exceptions—on existing loans.

Plantagen AG of Zurich is suing the German Federal Republic in the Bonn district court for damages of approximately Sw.Fr.

100,000. It is asking for the calling in and repayment at nominal value of DM 1 million of the 6 per cent loan, at the time of issue tax-free, which, since the introduction of the coupon tax has lost 10 per cent of its value. Although Plantagen AG is only a small concern (its share capital is Sw.Fr. 4.5 million), it is close to the Union Bank of Switzerland. The action brought by it is therefore of fundamental importance, because a judge is now to decide, after the extensive discussion of this new tax in Germany and abroad, whether its one-sided application to foreign residents and its retroaction are admissible. If the case is won, all other foreign security owners will also benefit.

Plantagen AG is basing its claim on the allegation that the Federal Republic's action contravenes the London Debts Agreement of the postwar years, under which Germany's financial credit was to be restored. Evidently foreign capital has now done its duty and can go. With the retrospective introduction of the tax, the Federal Republic is said to have altered the contractual relationship in the agreement between debtors and bond holders. The German coupon tax, it is claimed, should be appraised not according to fiscal theories, but according to the general obligations of German and international law. It is said that the loss of rights is equivalent to a partial expropriation; and that the obligation to observe international agreements guaranteed by basic constitutional law has also been violated. The litigants maintain that Germany has so offended against the spirit of the London Agreement that the question arises whether extensions of repayment dates and reduced rates of interest granted to the Federal Republic by that agreement can be maintained further. What is less clear is just what aggrieved Swiss bankers can actually do about it.

INDIA

Another Tax Dose

Calcutta

A WHOPPING supplementary budget has taken both Parliament and the country by surprise. New tax measures to raise no less than £130 million in a full year were presented by Mr Krishnamachari in an attempt to offset the shortfall in receipts and unforeseen increases in outlays since the end-February budget. But this is only part of the explanation. What he is really attempting is a further round of disinflation, chiefly to restrain demand for imports. Higher import duties follow as a natural corollary; they are on a sliding scale designed to encourage import substitution by making it less expensive to import industrial raw materials than components. Government and outside observers see considerable scope for such substitution even in the short run; but businessmen disagree.

In fact, the latest exercise is at least in part prompted by the World Bank and the International Monetary Fund, which have been pressing for rationing of imports by price in place of the present system of administrative allocations. They hold that despite carefully worked out priorities there is considerable misapplication of resources which a pricing system reflecting actual scarcities should go a long way to correct. Mr Krishnamachari seems to have accepted their advice, but only in part. There is no mention yet of any step towards dismantling of controls, nor the more generous assistance to exporters that the World Bank advocates. Presumably the finance minister is waiting for more non-project assistance to materialise before he starts to make any promises.

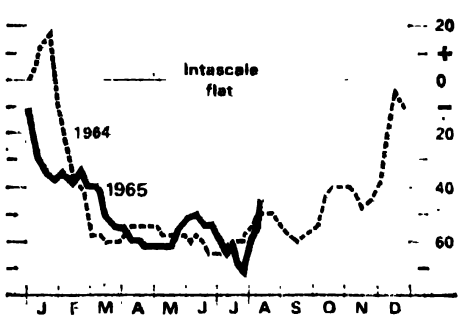
Another aspect of the supplementary budget is the concession it offers to stimulate growth in key areas of the economy. Agricultural imports escape new increases and additional depreciation allowances (development rebates in Indian tax jargon) are offered to essential industries. Simultaneously new industrial units have been assured that the present scheme of a five year tax holiday will continue until 1971. This sugar coating does not make business opinion any less disconsolate.

TANKER FREIGHT

Grain Rescues Oil

IN spring this year, tanker owners feared a long hot summer with freight rates even lower than last year. Ever increasing numbers of new tankers were entering the water—capacity has long outstripped

TANKER FREIGHT RATES*



* Compiled by Harley, Mullion

summer oil demands. And yet apart from a brief dip at the end of July, tanker freight rates have been at about the same level as last year—despite the fact that five million tons of new tankers were launched during the first half of 1965. What happened?

Simply this—there is now the fantastic amount of five million tons of tankers diverted to shipping grain, more than twice the amount carrying grain last summer. Conversion is easy. It costs at most £3,500 to clean the oil out of the tanks; and it can be done while the tanker is sailing to pick up its load. This is a measure of just how much excess tanker tonnage there is in the world at the moment. It is also a measure of the current strength of the grain market; thanks partly to demands from India, China and soon, Russia, grain freights are near their highest level since Suez despite this invasion of tankers which go back to their own trades as the winter demand for oil increases.

There has even been a decline of laid-up tanker tonnage so far this summer—a complete reversal of what happened last year. Then, there was at one point more than a million tons laid up before the seasonal winter demand brought things back to normal, i.e. less than half a million gross registered tons laid up. And here, roughly, it stayed right through the summer until it dropped further to something around 380,000 tons at the beginning of this month.

Russian wheat buying may keep the grain trade booming throughout the winter. But in the meantime, shipyards continue to churn out tankers and bulk carriers at a pace which threatens to outstrip the increase in world trade. This year at least, there seems to have been a fine balance between the demand for and supply of ships; next year, grain trades may not come as they did this year to the rescue of tanker owners. The shipowners who rushed into ordering bulk grain carriers—with higher depreciation and running costs—may not have realised when they placed their orders that they might have to fight hard-selling tanker owners for the business.

AUSTRIAN STEEL

The Price of Exclusion

Vienna

WITH a labour force of 65,000, steel ranks second only to textiles among Austria's major industries. The Voest works alone accounts for about 10 per cent of all Austrian exports. So steel's present stagnation is a serious setback for the economy. Output, running at 3.2 million tons this year or possibly less, is hardly any higher than it was five years ago, and a good way below the 3.5 million tons that had been hoped for by 1965.

The trouble arises partly from stagnation of home demand, partly from the way that steel exports to Common Market countries have been nearly halved as tariffs have gone up. Austrian steel makers have made overtures to the High Authority at Luxemburg to see whether they could join the Coal and Steel Community, only to be snubbed and told that membership could not be discussed unless Austria became a full member of the Common Market. And the Iron Curtain countries, who were once traditional customers of the Austrians, have been building up their own steel industries and cutting back on imports. Plans for expansion are, therefore, being revised drastically and much more stress is being laid upon improved productivity.

Ironically, the biggest technical advance in world steel making in the last two decades was made in Austria by Voest. Eighty steelworks in 28 countries have licences and are using the Voest L-D process, and another 47 are being built. This brings in a useful royalty income, but it cannot offset the industry's acute shortage of capital, which is holding up a lot of its own plans. The nationalised industry is specifically forbidden to go to the market for money and the Austrian Government is itself too short of cash to provide the funds that the industry wants. Austrian steel prices are considerably below world prices but this is a case where the virtues of competitiveness bring no rewards.

NORWEGIAN OIL

Another Piece in the North Sea Puzzle

Oslo

ANOTHER piece was added to the fast-growing mosaic of oil drilling concessions in the North Sea last week when the Norwegian Government granted eight groups of oil companies production licences to search for oil or natural gas on the Norwegian continental shelf. The Norwegian concessions come soon after the opening of new areas of the British continental shelf for further bidding, which closes next month, and just before the passage of Dutch continental shelf law which is expected to open Dutch areas of the North Sea to the oil companies in the near future. The Norwegian concessions appear to have been granted in the nick of time. For the prospects for finding natural gas or oil in Norwegian waters do not seem as good as those in British and Dutch waters, and prospectors might have turned their backs on Norway if licences had been more readily available further south.

All but one of the eight groups that have now been granted licences have been doing seismic work on the Norwegian continental shelf for several seasons. Esso Exploration of Norway has committed itself to start drilling next summer and Amoco-Noco (Noco is a Norwegian Consortium) has hinted that it might start drilling next autumn. But it is generally felt that the bulk of the drilling will not start for another two years.

The eight groups that have been given exclusive licences are Esso, Petronord (French and 20 per cent Norwegian), Caltex, Phillips (with AGIP and Petrofina) Amoco-Noco, Shell, Gulf and a newcomer to the North Sea scene—the privately owned Canadian company, Syracuse. The eight have committed themselves to a programme costing some £30 million in the first six years. The companies will pay about £1 million, in area charges for the first six years. Royalty will be charged at 10 per cent of the gross value at wellhead of extracted products.

LIBYA

Where Sicilians are Welcome?

Tripoli

ON August 2nd a Libyan delegation in Rabat signed an agreement under which thousands of Moroccan labourers will work on government and private projects in Libya. Details have yet to be settled but Libya's main interest, surprisingly, is in unskilled labourers working on six months or one year contracts.

Libya's shortage of trained and educated personnel has long been acknowledged. But most estimates have concluded that the supply of unskilled labour would be adequate. The new agreement has proved them wrong.

Libya's population of 1½ million is extremely small for a country of its size, present wealth and development needs. Its potential outside oil may be limited, but there is such a back-log of basic infrastructure that the long-term aim of modernising agriculture has been postponed until roads, power stations, water works, houses and the rest have been built. These projects are making heavy demands on a labour force of under 400,000. It had always been assumed that the oil boom and development spending would have attracted to the towns most of the 71 per cent of the labour force working in rural areas in 1960. There has been a very big migration to the main cities but it now seems that most of the migrants have come from areas very close to the towns, from the desert oases or from outside (i.e. from among Libyans who fled from the harsh Italian regime in the 1920's and 1930's). Elsewhere, migration has been significant but not dramatic.

The peculiar reluctance to leave the land is difficult to explain. Agriculture in Libya is a gamble with an uncertain rainfall; rural incomes are about half those of the cities. Government investment in traditional agriculture is fairly small and all the experts agree that agricultural output is declining and that land is reverting to desert in many areas.

At the same time, it seems that the move towards commercial agriculture in traditional areas has been partly reversed. There is now a strong trend towards a subsistence system. Under this, families produce enough food for their own needs and rely on the urban wages of a brother or son for other needs. As a result, migration is not as high as many people thought. Other factors intervene: for example, the still-strong traditionalism of rural areas and the desperate housing situation in the cities.

Whatever the causes the results are easy to see. In the cities the minimum daily wage was raised from 25 pts (5 piastre = 1 shilling) to 50 pts in 1963; today, few receive under 60 pts and some can get 100 pts. Contractors complain that it takes up to two months to find a labour gang, that labour is constantly shifting (from firm to firm and from city to village at harvest time) and that labourers are fully aware of their strong bargaining position. In rural areas labour is easy to find but the wages are only just below urban levels. Under these circumstances the oil companies and associated contractors who can pay the highest wages get their labourers. The government and many private Libyan firms come off worst and so projects are delayed.

All signs point to even greater pressure on labour. Oil company investment, after dropping slightly, is expected to pick up again soon. The £100 million or so annually injected by the oil companies into the private sector has given rise to an unprecedented building boom. On August 9th the Prime Minister announced a plan to build no fewer than 100,000 houses in the next five years, at a cost of £400 million. More workers are needed to build them. Though Libyan unions have started to complain, the agreement with Morocco may be only the thin edge of the wedge. Official hints indicate that Tunisians, Algerians and possibly Egyptians will join the Moroccans.

Apart from the obvious economic and political benefits of these agreements, one far-sighted idea may be at the back of the government's mind. It is agreed that Libya's long term aim is to use oil revenues to develop agriculture. This would not be easy if the bulk of the agricultural population moved to the towns. By bringing in outside labour the government may reduce still further emigration from rural areas. It is significant, too, that there have been many recent tenders for small-scale projects in provincial towns; three-fifths of the new houses are to be built outside Tripoli and Benghazi.

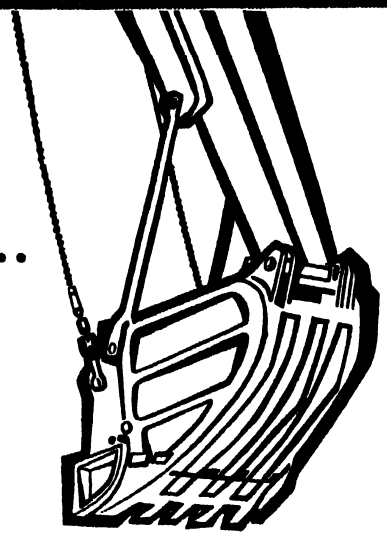
SHORTER NOTES

Discussions on the building of a steel rolling mill for Nigeria are still at an early stage. The international consortium including the British firm of Wellman-Smith-Owen that is negotiating with Lagos does not know yet if the £30 million set aside for the project in the Nigerian development plan is meant to cover all the costs, or only the foreign exchange costs, of the project. What the Nigerians are looking for is light structural products—corrugated sheets, rods and bars, angles and brackets.

The $100 million loan granted recently to Italy's southern development fund, the Cassa per il Mezzogiorno, by the World Bank is the seventh it has received from this source in recent years, bringing the total of World Bank funds allocated to Italy to roughly $380 million. The Cassa, whose mandate has been extended to 1980 by the Italian Parliament, hopes to raise another $500 million outside Italy between now and 1969 through the World Bank, the Common Market's European Investment Bank, and foreign bond issues. But most of the funds for southern development will still come from government grants.

considering Canada?

for new building sites...



Consult us at the ground-work stage. Use the co-ordinated services of Royal Bank's over 1000 branches throughout Canada. There are many ways in which we can provide practical help to anyone wishing to begin, or extend, business interests in Canada. Enquire at either of our two London offices.

THE ROYAL BANK OF CANADA

Incorporated in Canada in 1869 with limited liability

HEAD OFFICE: MONTREAL · ASSETS OVER $6,000,000,000

LONDON BRANCHES: MAIN BRANCH 6 Lothbury EC2 · MONarch 6633

WEST END 2 Cockspur Street SW1 · WHItehall 7921

This advertisement is for information only and is neither an offer to sell nor a solicitation of an offer to buy any of these Notes.

$25,000,000

ICI Financial Corporation

(A Wholly Owned Subsidiary of Imperial Chemical Industries Limited)

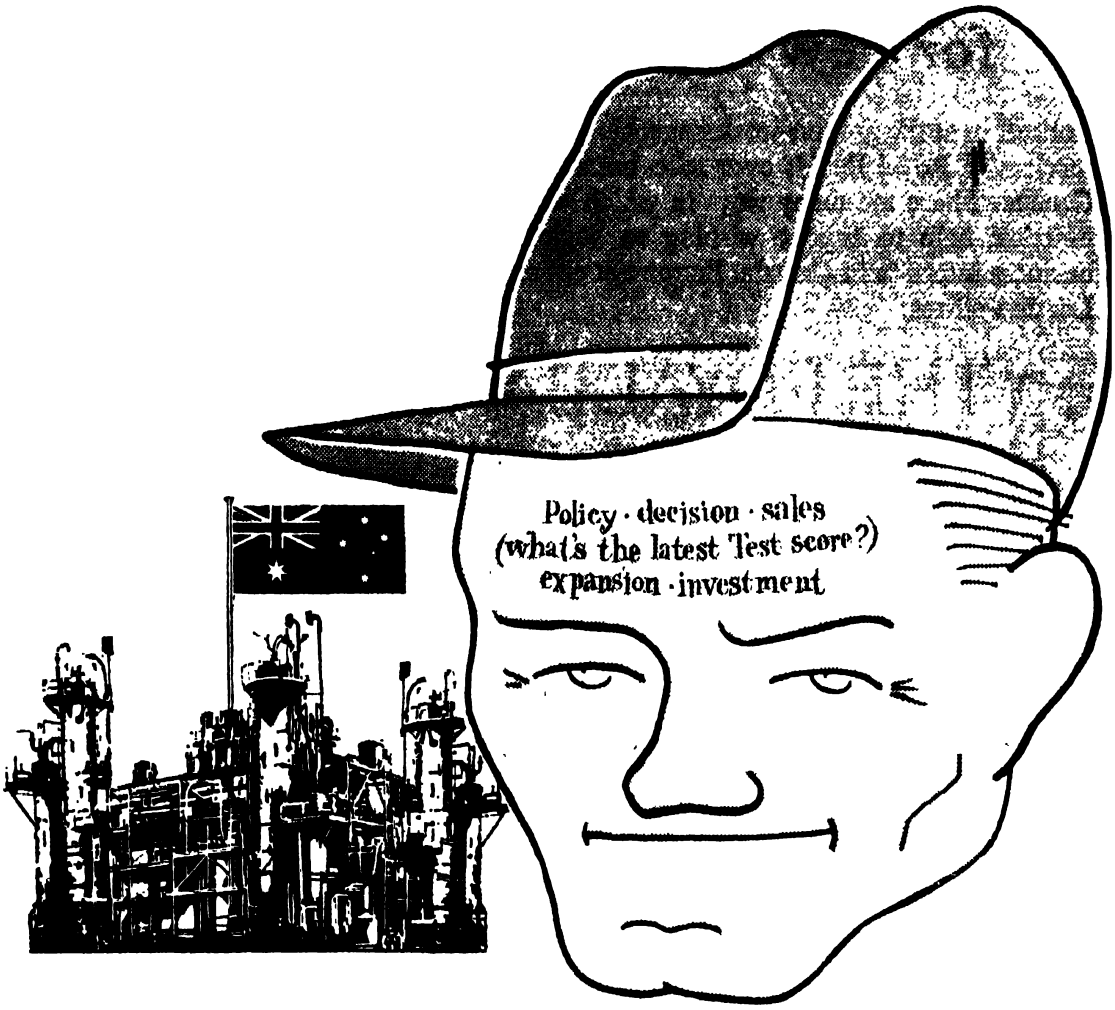
Promissory Notes due August 1, 1985

The sale of the above Notes to institutions was arranged by the undersigned.

MORGAN STANLEY & CO.

August 20, 1965.

ON THE SPOT



ICI's companies overseas are a real economic commonwealth.

Subsidiary companies in India, Australia, Canada, New Zealand and South America are now largely independent.

That's the rational way to run a world-wide business. No bottle-necks. Let the men on the spot get on with it.

Result: the trade of the ICI group abroad – £346 m. in 1964 – now almost equals the parent company's trade in the U.K.

ICI

IMPERIAL CHEMICAL INDUSTRIES LIMITED LONDON S.W.1

PB313

BUSINESS BRITAIN

THE ECONOMY

Callaghan's Cliffhanger

THIS has been a week in which the dilemma facing Britain's economic masters has grown no easier. For the first time in the postwar crisis series, clear signs of domestic recession are appearing before clear signs of a sterling recovery. A pronounced drop in bank advances is only the latest evidence that Mr Callaghan's measures have begun to bite in earnest. But although the worst pressures on sterling mercifully lifted three weeks ago, there has not been any return of confidence sufficient to allow even a tentative relaxation of the domestic squeeze. It is a maddening cliffhanger in which the foreign exchange markets and the British authorities are now holding their breath for the next two major instalments, the August trade figures and the International Monetary Fund meeting next month. Before that, the pound has to shoot the lesser rapids of next week's disclosure of the August reserve figures, which will possibly be more faked even than usual by transfers from the sale of dollar securities. The real loss is likely to have been at least £50 million, mainly in the first few days of the month, but probably swollen by a trickle of continuing official sales of dollars since.

Belatedly, some City and foreign critics who were calling for even tighter restraints on the British economy only a few weeks ago are now murmuring nervously that a stagnant Britain is unlikely to spin export earnings. There is now a clear case for some relaxation, rather than reinforcement, of the financial squeeze (a tougher wages policy is another matter). Almost certainly the Treasury and the Bank will not dare to move unless and until sterling gets through the remaining trials of September. But if it does, Mr Callaghan might conceivably attempt some very discreet relaxation. One way might be to pass a quiet word to the banks; and perhaps give them a little help in market operations to ease their liquidity. This would have the advantage of not being too overt, as would the lifting of special deposits. The question at this stage is rather how much it might help. A £54 million drop in advances to private borrowers by London's eleven clearing banks in the four weeks to August 18th, was, according to some bankers, widely spread among all classes and sizes of borrowers and reflected a decline in demand as much as tight scrutiny by the banks. Over the first eight months this year clearing bank advances to private borrowers have risen only some £75 million, seasonally adjusted, against £271 million in 1964 and £329 million in 1963.

Research into Research

THE Treasury may have thought it would be a useful curtain raiser for Mr George Brown's great economic plan, now less than a month away, if it assembled and listed the economic research tools at the government's disposal when the plan was being put together*. But governments are only starting to explore one of the biggest economic riddles of the decade—the effect of science on industry. In a country like Britain that studiously ignores the gilded bait of investment allowances need for a bit of psychological research here?), research and grants for research represent one of the most precise and effective methods of pump-priming at the government's disposal. The most convincing arguments for subsidising a native aircraft industry is that it obliges its engineering suppliers to think.

But does it work? If it is virtuous to spend a high proportion of gross national product on research, and we spend roughly the same proportion now as the Americans, why do the unvirtuous Germans and Japanese flourish with the absolute minimum of spending on science? What are the economics of innovation? In detail, what aspects of which industries could benefit from more science and less relying on hunch? The fact that Britain has upped the proportion of gnp that goes on research with no visible results does not necessarily prove Science is Bunk but it may mean that the effort is being made in the wrong places. Scientists have pleaded for years for an investigation of the impact of science on the economy. The Ministry of Technology is starting such a project, one must pray that it will be more successful than most things to which Mr Cousins' department has so far put its hand.

* Economic Trends, No. 142, August 1965.

TRANSPORT POLICY

Home and . . .

NOTHING has been heard of the Ministry of Transport's inquiry into the internal road/rail/air transport system of this country since Dr, now Lord, Beeching was noisily sacked from the job of conducting it at Christmas and replaced by Lord Hinton from the Central Electricity Generating Board. Lord Hinton must have been doing some inquiring since then, but so far without visible results and this week, British

THE BRITISH ECONOMY

ENGINEERING

New export orders improved in June. But home market easing.

MOTOR INDUSTRY

Car output in July at the same rate as in second quarter—and therefore still 10 per cent below the peak level of fourth quarter, 1964.

	Month	Index 1958 = 100	Percentage change from: Previous month	Three months ago	Twelve months ago
Industrial					
production *	June	131	−½	nil	+2½
employment *	June	103·9	−0·2	−0·3	−0·2
productivity *	June	126	−½	+½	+2½
Export trade †	July	137	+11	+7½	+20
Retail trade	June	119	−2	−4	nil
Eng. orders on hand	June	169	+½	+1	+14
Unemployment *	August	80·4	+1·5	+6·6	−9·8
Wage rates (weekly)	June	127·8	+0·3	+0·9	+3·7
Retail prices	July	121·5	nil	+0·6	+4·9
Export prices	June	109	nil	nil	+2

* *Seasonally adjusted. Indicators of export and retail trade reflect movements in volume terms, i.e., in value at constant prices. Unemployment refers to numbers : body employed, excluding school-leavers.* †*Provisional.* ‡*End of period.*

European Airways again reported a sizeable loss—nearly £1½ million—on its domestic air services.

These are flown in competition with British Rail—also making losses. British European Airways happens to make big enough profits, running to £2.7 million last year, on its flights abroad to be able to subsidise the losing domestic service out of its own funds. But this does not alter the stupidity of two nationalised industries putting considerable energies into mutually cutting each other's throats, and it is the sort of thing about which one would expect the inquiry to have something to say. Domestic air traffic is no longer fringe business, more than 2¾ million people flew on BEA's services last year and the corporation claims to carry more on long trunk routes than the railways. But it is doing so at fares that offer no hope of covering costs. BEA cannot, and does not even attempt to blame this on competition from independent airlines like British Eagle ; its average loads, even on routes like London-Manchester where the train journey seems to have obvious advantages over the air, are so high that there is a demonstrable shortage of seats.

For reasons that it finds hard to explain, BEA is simply not getting the economies of scale that normally come with rising traffic, and it is as far from making these domestic services pay as it has ever been. Overheads may come down a bit when a special air terminal for domestic passengers has been built at Heathrow. Inefficiency? Possibly, but BEA is, with perhaps two honourable exceptions, the most efficient airline outside the United States. The case for looking into these domestic air services, in relation to the railways from which they are capturing so much traffic—and now freight—is strong : the fact that BEA and British Rail answer to separate ministers makes it that much stronger.

. . . *Away*

THE airlines themselves might welcome the opportunity to explain to someone other than the Aviation Minister or one of his nominees, why it is sometimes difficult to run a transport business efficiently and support the British aircraft industry at the same time. Not that one should weep for the £9 million of "introductionary costs" that BEA has written off against its Trident jets, any airline who is first customer for a new aircraft expects this, but can also expect the new aircraft to pull in the traffic, and this, too, is what the Trident is doing. But BEA has endured a hard battle to avoid paying more for its Tridents than it considers fair. The order for 15 enlarged Tridents signed on Thursday morning has been delayed for months while BEA, Hawker Siddeley and the Ministry argued about who should carry the cost of enlarging them. BEA refused to have it added to the price ; Hawker Siddeley could not afford to do it otherwise, now the Ministry will pick up the cheque. The British Overseas Airways Corporation, currently liable to pay more than £4 million for VC 10s that foreign airlines can buy for around £2½ million, is taking the same stand over the bigger, 250-seat VC 10 which it is more than willing to buy . . . at its own price.

The new Tridents for BEA have 100 seats ; the corporation now talks of needing 200 seats on the shorter ranges by the end of the decade. This is not as startling as it sounds ; 200-seat aircraft regularly fly the Atlantic, BEA's own Vanguards hold 140. But whether the solution is to scale down a big long range aircraft by altering its ratio of fuel tanks to cabin space, or scale up a small short-range one by giving it a bigger cabin and engines, or build a completely new design from scratch, there will be a heavy design and development bill. The relationship between the British air corporations and the British aircraft industry needs sorting out, but not by the Ministry of Aviation and not, it follows, by the Minister's Plowden committee either, which is bound by its terms of reference to be exclusively concerned with what is good for the aircraft industry rather than what gives this country an efficient domestic and international transport system.

BUILDING RESTRICTIONS

What is the Point?

THE building industry is learning what the squeeze means ; the latest in the series of demand slashing announcements affects orders from the private sector. The government estimates that in a twelve month period, about 500 schemes worth in all around £180 million will need to apply for licences. These include any development costing over £100,000, except houses and factories and certain special cases like schemes in development areas. The restrictions could knock a big hole in the £450 million worth of orders for this type of "miscellaneous" work that builders could have hoped to receive. Just how big will depend on the criteria adopted for awarding licences, and for these to be sensible more than the usual amount of co-operation between government departments will be required.

All this, however healthy for the economy generally, reaffirms the opinions among builders and their suppliers that it is not worth expanding capacity or investing in new machinery when the lights change "stop-go" so fast. And they are rudely sceptical of the Chancellor's belief that "as a result of lessening demand in certain other fields, it will be possible to achieve the housing programme." The housing programme has slipped this year because of the shortage of building society funds and the credit restrictions, not because housebuilders have turned to putting up offices, or because materials have been diverted to any great extent to other sites. Mr Callaghan will not persuade many frustrated office developers to put houses on the site instead.

POST OFFICE

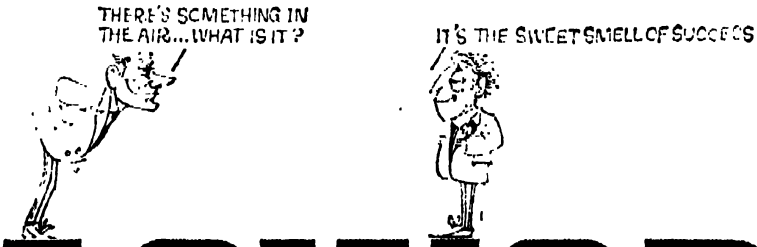
Sorting Out the Post

FOR the past three weeks, the Luton post office has been testing two prototype machines of the kind that should be sorting letters automatically in all main cities by 1980. In total, the project is expected to cost £20 million. Just as the banks had to accept that no machine can ever read what is written on a cheque without some human help, so the post office has resigned itself to the impossibility of a machine ever reading envelopes. Bank clerks in branches that have gone over to computer book-keeping, re-type the sum shown on the cheque in machine language and magnetic ink. In the post office, clerks will type out the postal code in machine-language phosphorescent dots. From then on, the machine is on its own. It can read the code, sort the letters into the right pockets. Two sorting machines, both expected to cost about £20,000 each in full production, are being tried out ; one is built to sort 20,000 letters an hour into 20 pockets, the other separates 7,000 letters an hour into 144 pockets. Bank managers will recognise the problem here of multiple sorting.

The machines are up against all the difficulties of paper handling that the banks encountered in mechanical cheque sorting, plus the added hazard of slippy, sticky picture postcards and the extra complication of requiring a degree of public co-operation in memorising and using postal codes that the banks were able to duck. Six years ago, Norwich was chosen as the experimental town to try out a coding system. The idea was to get the public to address the envelope with the appropriate code, first for Norwich and then for the street or "block." To date 50 per cent of post received carries the code but the GPO feels, optimistically perhaps, that when coding becomes general in approximately ten years' time, the ratio might rise to 80 per cent.

So far, Britain and Germany are the leading countries in mechanising the post. The Germans favour a purely numerical code and claim after only two years that 90 per cent of all envelopes are coded: but Germans are methodical people. The Americans have their zip code—also numerical, and are tinkering with machines able to read typescript which could be practical in the US where 80 per cent of the addresses are typed anyway. Quite a few countries, like Canada, have given up the struggle and are waiting to see who comes up with the best idea.

Both in Germany and America codes refer only to destination towns and when the post arrives it still has to be re-sorted and re-coded for street and house. But in the British system, because the whole address—street and all—is coded at the outset—no such reshuffling is expected. It does mean that every town must have a grid



GASWORKS

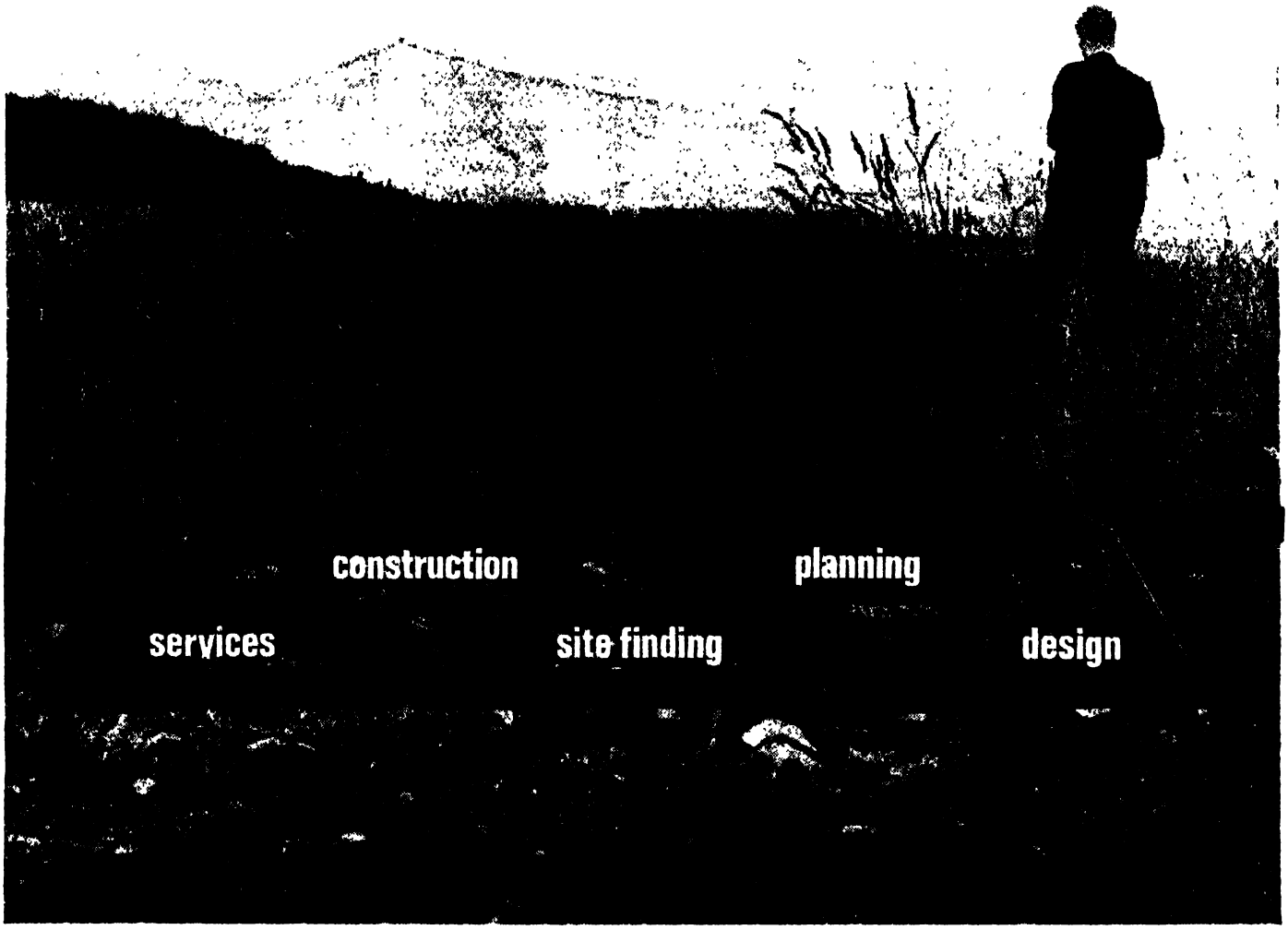
THE DAYS of the smelly gasworks are numbered. Recently the South Western Gas Board opened the first of their new gasworks that uses only oil to make gas. There's no smoke. No dust. And it is virtually non-toxic.

To be precise, the Seabank Works at Hallen uses Light Distillate Feedstock supplied by Shell-Mex and B.P. Ltd through new pipelines from Avonmouth. The contract is over a 15-year period and is surely only the beginning of a new era in gas production.

Already a similar plant is planned at Plymouth. And no wonder: it needs only one-eighth of the space of a traditional gasworks and one-sixth of the capital cost! To cap that, it's cheaper to make gas this way. Success has never smelt sweeter.

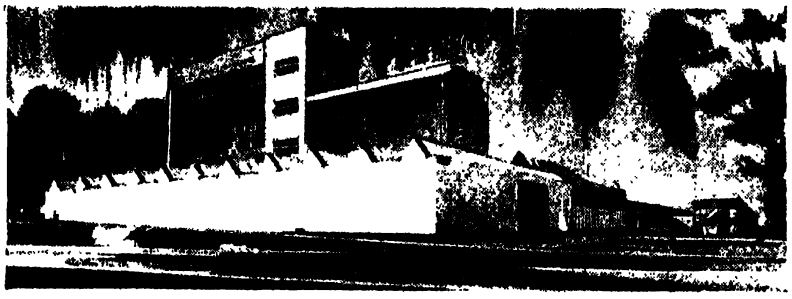
SHELL

SHELL-MEX AND B.P. LTD
MARKET PETROLEUM PRODUCTS OF BOTH BP AND SHELL IN THE U.K.



complete co-ordination!

100,000 sq. ft. factory and office accommodation for Twining-Crosfield & Co. Ltd., at Andover.



site finding is one of the I.D.C. co-ordinated services vital in successful expansion. It meets national needs by utilising branch offices as listening posts throughout Great Britain. I.D.C. Site Finding ensures detailed knowledge of all site availability in required areas, locations freed for new development, existing land records and development associations, national and civil zoning and all necessary building permissions and site requirements. I.D.C. obtains all the relevant facts, considers them, marshalls them logically together and reaches a conclusion quickly and without wasted effort.

INDUSTRIAL DEVELOPMENT & CONSTRUCTION LIMITED

IDC

Civil Constructional and Services Engineers, Designers and Contractors.
Head Office:
Industrial House, Stratford-upon-Avon.
Telephone: 4422 (10 lines)

WW 339

superimposed with each "block" given its own number—this could, some postmen think, prove in the long run to be more trouble than it is worth. So far automating the post office has not been easy. Paper is difficult to handle, it slips and bends, and no two letters are ever quite the same. Elliott-Automation and Thrissell have both had a good deal of trouble getting their prototypes to behave. The effort has been worth it, not only for whatever improvement it may eventually bring in British post deliveries, but also because this is precisely the sort of technological advance on which it is worth spending government money, which may produce a piece of pioneering that the rest of the world will be glad to copy —and buy, who knows, from us.

RECORDS

EMI Stoops to Conquer

ELECTRIC and Musical Industries' entry into the 10s. and 15s. record market, in partnership with Paul Hamlyn (the subsidiary of the International Publishing Corporation) sets the official seal on this new record market, which has been unofficially in evidence, on station bookstalls and elsewhere, for some time. Thus the classical record market has now fragmented into several separate pieces, the 30s. to 40s. bracket, the "bargain" bracket at around a guinea, the new sub-market—also others, like the clubs, which by-pass retailers. By using non-traditional retailers, EMI hopes to get at the impulse-buying customer, and thus, in theory anyway, expand the number of outlets without hurting the specialist record dealers. And, since the records will consist mainly of re-issues of older recordings no longer in the catalogues, marginal costs will be low: masters exist, artists will be on a lower royalty scale than for the original higher-priced recording. At first sight therefore the quality of records now available in the sub-market ought to improve. But whether other leading manufacturers will be able to stay out of it looks doubtful. So far the depression in sales of popular (45 r.p.m.) records—they are about a quarter down this year—has not spread to the 33 rpm's.

BANKING LINKS

Mixing it Up

THE recent and commendable trend among British banks towards getting themselves much more mixed up went two stages further this week. The first move, by the Westminster Bank in association with the Royal Bank of Canada as well as the Hongkong and Shanghai Banking Corporation and Morgan Grenfell, sets up a new organisation, RoyWest Banking Corporation, in the Bahamas. Its specific purpose is to make mortgage and industrial development loans throughout the British Caribbean. The corporation has got a foot in the door by acquiring the Trust Corporation of the Bahamas, whose chairman, Mr E. P. Taylor, will be chairman of the new bank. The Westminster will have a 25 per cent stake in the £6 million of paid-up capital. The Royal Bank of Canada's contribution will bring $5-6 million into the London reserves. Since the projected property and tourist development caters largely for Americans and other dollar spenders, this is one project of overseas investment that the Treasury should thoroughly welcome. Since it is a sterling area affair no formal exchange control permission is required.

This is needed however for this week's other banking deal, the sale of a share participation of approximately 15 per cent in the capital of the Bank of London and South America to the Mellon National Bank of Pittsburgh. But Sir George Bolton, chairman of Bolsa, is unlikely to be turned down by his successors in the Exchange Control. This deal too, involves an inflow of dollars, of $15 million; though since the intention is to use these funds to finance overseas development, particularly in building bank offices in Latin America, no net accrual to the reserves is likely here.

The rationale of the deal is that Mellon has been frustrated by its dependence on the big New York banks in international business, and has not wholly succeeded in its attempt to set up its own international subsidiary. Now it evidently intends to switch part of its international business to Bolsa, which will not make the same demands as the New York banks also to have a stake in the domestic business simultaneously. For Bolsa the attractions are clear enough, particularly as Sir George intends to make a drive for the business of Mellon's customers in London too.

WATER

What price flora ?

Carex Capillaris

Viola rupestris

THE Water Resources Board has now been told it will cost approximately £650,000 to carry out feasibility studies for two possible barrage schemes in the North West—Morecambe Bay and Solway Firth. But these are long-term projects for water storage not expected to have any effect before the late 1970s—and by and large the North West has no immediate water problem—except in Manchester where the rumpus about damming the Lake District continues.

But in the North East, around Teesside where (unlike any other part of the country) industry accounts for two-thirds of water consumption, water is scare now. Five reservoirs supply the area, two built within the last seven years and demand is already straining their combined resources. Imperial Chemical Industries using 25 million gallons of fresh water a day, has told the local Water Board that it will need a further 25 million gallons for plants at Billingham and Darlington by 1970. And ICI is by no means the only big industrial water consumer. The Tees Valley and Cleveland Water Board therefore started looking for new sites. The obvious choice was to dam the Tees not too far from source where this would not harm either agricultural land or villages. The river itself would carry the extra water down stream to the factories, without the need for new pipelines running directly from the reservoir. The site chosen was Cow Green; the cost, approximately £2½ million to impound 9,000 million gallons of water.

Now botanists have mounted a very powerful public relations campaign, culminating in a press conference in London on Tuesday, followed by a counter-press conference held by ICI at which company spokesmen were heckled by botanists scenting blood. They object to the drowning of local wild flowers, in particular, a rare species of Teesside violet and some Alpines found nowhere else in Britain. The botanists say alternative sites would not damage the sacred ground which in itself totals only 20 acres. But where? nearly all the surrounding country is Nature Conservancy land with rare flowers growing there too. Nor is it the first time the water authorities have been bogged down by nature lovers in the North East. The last reservoir to be built was moved from its original site partly, though not entirely, to pacify lovers of the gentian. If the battle goes on, the only other obvious alternative site looks like costing £4 million more, and taking three years longer to build for less water than Cow Green. An expensive flower.

Sir George also seems to have got a very good price; the 35s that Mellon is paying is a full 6s above the market price even before the simultaneous announcement this week of a "considerable" fall in profits in the first six months of 1965, which may necessitate a reduction in the final dividend. This announcement brought the share price down to 28s 6d. The loss maker was apparently the bank's operations in Euro-dollars. The "haemorrhage," which is now said to have been stopped, reflected not any outright defaults but the bank's exposed position as not only a large but a relatively adventurous operator in this market. Because Bolsa had lent long and borrowed short, it was squeezed by this year's tightening in the Euro-dollar market, exactly in the same way as a discount house is squeezed when Bank rate rises. And in the Euro-dollar market there is no lender of last resort.

ROAD BUILDING

In the Electronic Manner

WHILE the Minister of Transport does his bit towards cutting government expenditure by pruning the road building programme over the next six months, his ministry is tackling the far longer term problem of keeping down costs without either reducing the mileage or the standard of roads built. Much of the hope of achieving this lies in the success of the current trials on a Nottinghamshire road of the slip form paver. This £70,000 machine straddles the carriageway and alone does the job of the usual "train" of machines—spreading, compacting and smoothing the concrete slab—in one journey.

The ministry has been experimenting to find the best method of making joints and laying reinforcement in concrete roads built with the paver. It is also comparing costs of reinforced and unreinforced roads built to equal standards. (Basically, no reinforcement means more joints—the purpose of both is to prevent cracking.) The tests are still going on, but already the ministry is convinced about the potential of the machine—even to the extent of considering whether it could be adapted for "black-top" road construction. However the details of construction work out, using the slip form paver should cut labour by half and double speed. The machine could move even faster, but above 3 to 3½ feet a minute the size of concrete mixing plant needed to feed it starts to push up costs.

The paver is more accurate than the normal concrete laying train, with electronically controlled feelers at either side running along taut guide wires and automatically adjusting the machine for any bumps. Two other machines of American design with a similar, but hydraulically controlled, guide wire system are also at work on British roads. These are called automatic road builders but they are, in fact, simply refined, more accurate and faster moving, scrapers which prepare the ground before the road itself is laid.

Such is the accuracy of this new breed of machines that the Ministry will be able to tighten up on tolerances in the road building specifications which it is now re-writing. And greater accuracy also means a saving in materials since less margin of error "better be on the safe side"—need be allowed for in slab thickness. The ministry has dreams of several slip form pavers—perhaps as many as four—in Britain in the not too distant future. But before it can hope to persuade that number of contractors to invest the £170,000 or more needed to buy a paver and its ancillary equipment (because it is an experimental contract, the ministry bought the £100,000 worth of ancillary equipment used in Nottinghamshire) something may have to be done to give some continuity of contracts. The ministry is already thinking.

PAPER CONVERTING MACHINERY

American Walkover

WALMSLEYS (BURY) has won a contract to supply Russian paper mills with £2½ million worth of machinery to convert tissue paper into products such as toilet rolls, face tissues and paper napkins. But it will make little of the equipment itself, and quite a bit will come from the United States and Germany. Walmsleys and other large paper-making machinery manufacturers build the plant for actually making the tissue paper, but they have shied off the converting side although demand for tissue paper has rocketed by 15 per cent a year over the last ten years and, even at the slightly slower rate of growth expected for the next decade, will probably have topped 600,000 tons by 1975.

The Americans, having got into the tissue market long before any other country, now lead the field in converting machinery, particularly in high-speed equipment that takes a giant roll of tissue paper and slits and rewinds it, at 1,600 feet a minute, into toilet rolls. Honours are shared, unevenly, between two companies from Wisconsin; one has recently set up a plant in this country and there is no British machine to touch the American designs.

Converting machinery specialists like Harnden of Cheshire have more or less given up trying to compete and now concentrate on other lines, like equipment for making cigarette papers and polythene bags, where the Americans are less dominant. But American eyes are being cast greedily on the plastics converting as well as the tissue market. One company, anxious to get a foothold in Britain, managed to snatch a contract for plastics converting machinery from a British manufacturer by promising to pay any import duty incurred and a delivery period of six, instead of the British company's nine, months. It all sounds too easy.

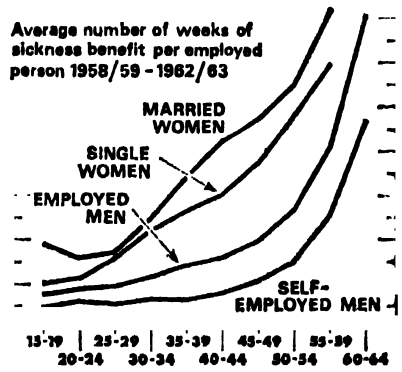
SHORTER NOTES

Mr Fraser, the Minister of Transport, has now worked out most of his Ministry's cost cutting for motorways and trunk roads. The £50 million of schemes that might have been started in the next six months will be cut to about £18 million. Some motorway schemes are still in the melting pot but work on at least 15 miles of the M1 has been deferred which was to have been started this autumn.

The first really big crack has now appeared in the building societies' defence of the present level of mortgage rate. The Leicester Permanent is raising the rate for new borrowers to 7 per cent, with the prospect of a similar ½ point rise for existing borrowers in the new year. Some of the larger societies are now openly on record as favouring a similar increase in the movement's recommended rate, although whether they would be prepared to move independently remains to be seen. Once again the embarrassment of the recommended rate is clear. Not only does it serve to focus public attention on the upward movement mortgage rates in a way that would never be true if the societies moved one at a time. It also tends to cast the Association in the quite inappropriate role of a cartel.

Sick Leave

Spells of absence from work due to sickness rose from 6.6 million in 1953–54 to 8.8 million in 1963–64. However, the average duration has fallen and the total number of days lost has remained around 300 million a year or about 14 working days for every insured person.



VAR/17

(If you are interested in any item of Polish Machinery listed overleaf—please fill in this coupon for full details).

NAME

ADDRESS

FIRM

POSITION HELD

TYPE OF BUSINESS

EC/11

VARIMEX
PTHZ
WARSZAWA

PM

POLISH MACHINES
EXPORTED BY VARIMEX

FILMING AND CINEMA EQUIPMENT

35 mm projectors for standard type black and white and colour films

cinemascope projectors—AP-6 projector illustrated

16 mm projectors—for schools, clubs and small cinemas

opaque and slide projectors

projector lenses

35 mm and 16 mm editors

magnetic tape sound recording cameras

reflectors and camera cranes

cinema sets—comprising: amplifiers, loudspeaker sets, rectifiers, automatic curtain control devices

(Please tick appropriate square to indicate items in which you are interested. Full information will be sent as soon as possible).

- ☐ 35 mm projectors
- ☐ cinemascope projectors
- ☐ 16 mm projectors
- ☐ opaque and slide projectors
- ☐ projector lenses
- ☐ 35 mm and 16 mm editors
- ☐ magnetic tape sound recording cameras
- ☐ reflectors and camera cranes
- ☐ cinema sets

YOUR REMARKS:
(Please note your questions and queries here)

BUSINESS □ INVESTMENT

ICI'S £50 MILLION

Costly Insurance

HAVING proclaimed as recently as April that it had no intention of raising further capital this year, Imperial Chemical Industries astonished everyone this week by announcing plans for the biggest and most expensive borrowing in its or any other British company's history.

At his news conference on Monday, Sir Paul Chambers gave one important clue to ICI's reason for bringing forward its approach to the market: he said the important thing was to be sure of having the money when needed, even though borrowing costs might in fact be about half a percentage point lower in six months. The unspoken point seemed to be that, on the other hand, it may not be possible, or it may be very difficult, to raise £50 million in the new year.

What eventuality did the ICI board fear? Surely not the prospect of interest rates rising even further in a period of sagging output and growing unemployment. There may still be some fundamentalists who can persuade themselves of an 8% long term interest rate in a recession, though they are unlikely to be found among ICI's sophisticated management. But sterling is still not secure; and there could at any time be an election with all its uncertainties. There could, in other words, be conditions in which underwriters would be unwilling to risk a £50 million issue even for ICI. None of this is to suggest that ICI actually fears a political or financial crisis in the winter or early spring. Yet the fact remains that this gigantic company has shown itself ready to pay considerable insurance by way of high borrowing charges for the absolute certainty of getting money, much of which will actually be received only next year. A mere 10% of the stock is payable on application on September 7th; another 40% on November 10th; and the remaining 48½% only next February 16th.

At this issuing price of 98½% and on a coupon of 7½%, the 20 to 25-year unsecured loan stock carries a redemption yield of £7 7s. 7d., against an average yield of 7.42% on comparable debentures and one of 6.6% on 20-year gilt-edged securities, prevailing just before ICI's announcement. ICI's marginally lower costs can be attributed not only to its unusual standing as a borrower, but also to its unusual step of offering the issue to the public (with preference for its own 600,000 ordinary shareholders) instead of placing it directly with a small group of powerful institutions. Even so, the terms of the ICI issue were thought generous by the market (to be on the safe side, they must be for very large borrowings). Investors particularly appreciate the assurance of these high yields for next February, when current yields could be lower.

Despite its size, the loan does not make ICI a highly geared company by any standard. Most of its capital expenditure, now running at more than £160 million a year, is financed from retained earnings and a very rapid writing down of plant. A full year's interest on the loan will add £3.6 million to annual interest charges of £8.8 million in 1964; the $25 million loan raised in New York last week adds another £600,000 a year. These sums are insignificant set against last year's pre-depreciation profits of £174 million and depreciation of £62 million. They are likewise insignificant against the need to achieve ever greater economies of scale through ever larger plants for the manufacture of bases like ethylene, ammonia and fibres. ICI's latest expansionary venture was, indeed, announced just this Wednesday: a £31 million nylon polymer plant to be completed at Ardeer, in Scotland by 1967. Some of this project will be financed from the £50 million issue, all of which will be spent in Britain. By contrast, the $25 million ICI raised in New York last week will be spent outside the sterling area, as will the $55 million British Petroleum hopes to raise in New York.

The new toughness of international competition in chemicals was reflected this week by Sir Paul's forecast of profits for 1965 as only the same as 1964 "or perhaps a little lower" and confirmed by Albright and Wilson's bleakly similar record of rising sales but lower profits in the first six months this year, a trend the company expects to go on experiencing also for the remainder of 1965. Only Monsanto's first half results resisted this trend, but here a steep rise in profits owed much to the relatively large part played by sales of polythene.

Which Reverse Yield Gap?

ALL summer long the new debentures have been issued and most have been tucked comfortably away into the intitutions' portfolios. Perhaps it is not surprising that yields have edged up in the face of such a demand for money. Yet yields on long-dated and irredeemable gilt-edged stocks have nonetheless edged down on general expectations of a decline in long-term rates. There should surely have been an arbitrage link between the two types of fixed interest stock. Indeed there would almost certainly have been if the market in the debentures had been free. The fact that it is not helps to explain the divergent trend between debenture and gilt-edged yields. Most of the debentures have been placed, through merchant banks paid a commission for finding buyers, and only small amounts have been put through the market to establish a quotation. The buyers, the big City financial institutions, are a close-knit community and each one tends to sense what the rest are thinking. Thus they have been able to demand a higher price for their money.

On Tuesday jobbers marked down gilts to counter selling by holders to buy the ICI stock. Hitherto, while the fall in gilt-edged yields has brought them down towards the rising equity yields, the yield gap between gilt-edged and debentures themselves has

KEY INDICATORS

MOVEMENTS ON THE WORLD BOURSES

LONDON
Dominated by ICI.

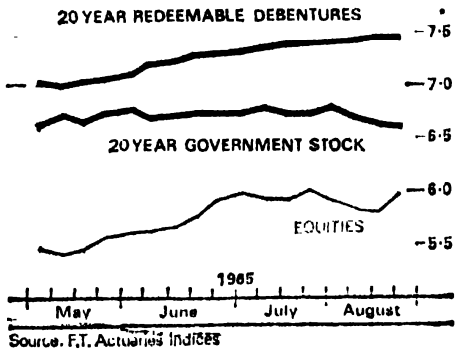
NEW YORK
Pause in the rise.

ITALY
Re-opened unenthusiastically.

	INDICES		Percentage change from:		
	Aug. 18	Aug. 25	A week ago	A month ago	A year ago
London	375·6	369·1	−1·4	+1·4	−12·2
New York	894·4	890·9	−0·4	+2·7	+ 7·1
France	90·1	91·5	+1·6	+6·1	− 9·1
Germany	96·3	95·1	−1·2	+2·5	−11·9
Holland	335·6	332·8	−0·8	+0·5	− 2·8
Italy	Closed	56·6	...	+0·5	+ 5·0
Belgium	129·3	129·3	...	+2·6	− 0·8
Sweden	267·7	264·4	−1·2	+2·2	+13·8

* For Bases and Stock Prices and Yields see pages 833 and 834.

YIELDS DIVERGE



Source. F.T. Actuaries Indices

unnaturally widened. If debenture yields now follow gilt-edged down, the big institutions, who are now switching from short to long dated securities, may turn more of their buying attention to gilt-edged stocks, which have the attraction of being more liquid and cheaper to deal in. And this is likely to narrow the reverse yield gap further, and so help to underpin share prices.

THREEWAY TAKEOVER

Mr Callaghan's Move?

THE bid by Midland and Northern Counties Investments for the larger Cope, Allman and for Harper Engineering is an ingenious move by the chairman of all three companies, Mr L. J. Matchan, to combine them into one group and at the same time reduce their joint tax bill. (The bid for the outstanding capital of J. W. Young a Cope Allman subsidiary is merely a tidying up move.) The takeover and its effects sound complicated but the principal involved is simple. Debenture interest is deducted from taxable income and consequently if shareholders can take some of their income in interest rather than dividends, which are paid out of income already subject to corporation tax, their company's tax payments will fall (and conversely its retentions will rise), although their own income will be unaffected. No company, of course, could convert part of its share capital into debentures, but when a bidding company offers a mixture of its own shares and debentures to shareholders in another it is in effect giving them the chance to convert some of their shares into debentures indirectly. And Midland is doing just that: for every eight ordinary shares in Cope, Allman it is offering 10 of its own plus £6 of 7½% debentures, and for every 100 shares in Harper 7 shares plus £9 in debentures. Thus on Friday's pre-bid prices Cope, Allman shareholders are offered £5 in shares and £6 in debentures for £10 14s. in Cope, Allman shares. Harper shareholders are to receive only £3 10s. in shares and £9 in debentures for shares worth just over £13. These terms, particularly for Harper, are far from generous. Midland's shares are quoted in Leeds too, not London.

But while the tax bill may be reduced by the method of takeover, the gearing introduced into the capital structure would not work in favour of the shareholders in the companies taken over. The object of gearing is for the company to borrow money from a third party; shareholders cannot gear up their own incomes, although by reducing their company's tax payments they can enlarge its retentions. To get gearing in this case they would have to sell the debentures and keep the shares. If the Cope, Allman and Harper shareholders accept the bids they will ultimately gear up the equity earnings of the original Midland shareholders, who through the company are borrowing money (by the debenture issue) from Cope Allman and Harper shareholders to buy the assets. And as the enlarged Midland will elect to be taxed as a group, even the tax benefit will have to be shared with the original shareholders. Although the tax system differentiates sharply between the company and its shareholders, it is essential in cases like this to regard the company simply as its shareholders.

Although this takeover will work very much in favour of the present shareholders in Midland, it is not quite as unfair as it might seem. Cope, Allman has a very large overseas business: in the year to December last its British tax bill was £140,000, whereas its overseas bill was £550,000. Corporation tax and the lack of overspill (beyond the slight transitional relief) will raise the company's tax payments unless overseas subsidiaries stop remitting dividends; but this dividend freeze would hit the parent's own dividend payments very hard if the plough back of the British subsidiaries were maintained. Midland, however, operates almost entirely in this country and its retentions will be increased by the new tax system, so the extra cash can be subvented to the British Cope, Allman subsidiaries. The ailing Harper, still trying to repay the overdrafts incurred in 1963 and 1964, before Mr Matchan began his doctoring, will be able to draw on the group's cash resources, since its own cash flow and ability to borrow are insufficient.

But this method of takeover, whatever its rights and wrongs, is not only of interest to the shareholders concerned. Many other companies could adopt Mr Matchan's technique and there are quite a few potential victims to be seen. Companies with more than amply covered dividends will be very attractive to fast growing companies needing a bigger cash flow; and overseas trading companies might well choose to cover their dividends by buying a company trading here with a large cash flow. Terms favourable to all parties could be arranged. The victim would be the Exchequer as tax revenues declined, and the balance of payments, as remittances from overseas were cut back. But Mr Callaghan has the strongest position in the end: if his revenue is cut by these new style takeovers he will have to raise company tax rates to compensate, although such a move would hurt all companies indiscriminately. More discriminately he might set a maximum proportion for loan interest to be deducted from profits, any excess to be paid out of taxed income. And if he did do this Mr Matchan's net earnings calculations would be knocked for six.

BRAZILIAN TRACTION

Electric Possibilities

A $40 million loan from the United States Aid agency, which will be signed shortly, signals a likely period of dramatic recovery for this remarkable utility company. It is Canadian controlled and almost entirely foreign owned (40% American, 25% Canadian, 25% European and 6% United Kingdom); with $700 million assets, it has the electricity and telephone monopoly for Rio de Janeiro, Sao Paulo and Santos. In 1964 the 11.2 billion kilowatt hours of electrical energy sold and the 863 thousand telephones in service represented 50% and 80% of the respective Brazilian totals. The company proposes to invest $80 million from internally generated funds over the next three years, and thus faces a $120 million expansion programme.

Under Presidents Branco of Brazil and J. Grant Glassco of the company, the series of contradictions which makes up Brazilian Traction has started to move in the shareholders' favour. It is unusual for electricity to be left in private hands after railways are nationalized; and yet the prospect of public purchase appears to be receding under Branco's right-wing government while the fear of expropriation on unfair terms has largely disappeared. The company was pleased to dispose of its tramways in Rio to the State of Guanabara in December 1963, paying 6 billion cruzeiros (just under $10 million at the time) for the privilege, rather than face continued operating losses, costs of conversion to buses and severance pay for those laid off through the conversion.

Similarly, the company now faces with calm equanimity the possibility that its telephones may be bought out by the federal government, whose option expires on September 15th. The federal government is anxious to prevent such disruption of the national telecommunications system as a Guanabara state purchase would involve. The purchase price received for the telephones could be invested profitably in the petrochemical, fertilizer, metalworking and pharmaceutical industries; the most remunerative outlet could prove to be cattle ranching.

However, since March 1965 the electricity rate structure officially guarantees a 10% return on revalued investment, with the 12% Brazilian corporate income tax being counted as an expense; while the company is not liable for Canadian corporate income tax, being a Foreign Service Corporation, nor for United States Interest Equalization Tax, being a Less Developed Country Corporation. There is a 25% Brazilian withholding tax on remittances abroad meaning that shareholders could take out of Brazil 7.5% after taxes each year.

On these calculations the company appears to be ripe for the take-over bid that the anonymity of its "bearer" shares (now standing at $6 in New York, 47s. in London) makes feasible. However, political uncertainty and continued inflation and balance of payments difficulties make the company, unique among effectively regulated and well established utilities, a highly speculative stock. Further, although demand is curtailed by a rate structure which recovers both fixed and variable costs from users on a metered basis and thus charges the marginal user rather more than the low marginal cost of providing hydro-electric power, the load is expected to increase 7% per annum and expansion to accommodate this load will require retention and reinvestment of almost all earnings. This and the foreign exchange shortage makes significant dividends unlikely in the foreseeable future. On the other hand the company's shareholders by now unquestionably have become predominantly high-income capital gains seekers rather than typical utility-holding institutions, widows and orphans who look to dividends for income.

MERCURY SECURITIES

Why the Secrecy?

THERE is little that Mercury Securities needs to hide: pre-tax profits were up by nearly £1 million and shareholders are to receive a 5% bonus dividend in addition to the maintained 35% for the year to March 31st. Yet the company is as secretive as ever about the source of its profits and even its subsidiaries; the chairman's statement is cursory and is noticeably lacking in facts and figures. But while the Spartan look in the accounts may accord with those early starting hours of the banking subsidiary, S. G. Warburg, no one could argue that this merchant bank is anything but up to date. And to judge from the 28% rise in acceptances, to £15 million, it has had a busy year. It has certainly been a leading name in placing international loans and in February last year introduced the lcal authorities' yearling bond. Interests outside banking include insurance broking, Social Surveys (Gallup Polls), metal dealing and copper refining. There are also investment portfolios with a market value of £2.5 million.

The shares now yield 4.7% at 42s. 9d.; this is high for a merchant bank share (there are, admittedly, substantial non-bank interests) and the shares look remarkably undervalued in view of the excellent record of the company. It is certainly difficult to explain why they should yield just over a point more than Schroders, whose recent interim statement was far from encouraging in reporting that profits would show little advance over the previous year's.

Mercury Securities has had a good year in merchant banking, metal dealing and copper refining; this year may not be so good, although the spate of debenture issues and the resurgence of activity in the yearling bond market might help Warburg's profits. There are also Warburg banks in Frankfurt and New York not subject to British economics. And, as the chairman, Mr H. Grunfeld, says, "the spread of the group's business between banking and non-banking activities should give it added resilience in difficult times." Perhaps if Mr Grunfeld were a little more explicit about his spread of interests the market would look more closely, and favourably, at the shares.

REDLAND HOLDINGS

Tumbling Tiles?

ALL the enthusiasm the market could muster for Redland Holdings' excellent results (25% increase in pre tax profits to £2 million), was a meagre increase of 1½d. to 19s. 7½d. Subsequently the price dipped to 18s. 10½d. where the yield on the 12½% dividend (up, taking into account a one for four bonus issue, effectively by 27%) is 4.9%; the earnings yield is 8.8% compared with an 8.6% average for building materials in general (on the assumption of a 35% corporation tax). Redland has done no detailed sums for its shareholders of how it will be affected by corporation tax.

The chairman did however mention that "arising from rather fortuitous circumstances. . . . the incidence of corporation tax insofar as it affects our overseas interests will not be a material factor." So these highly profitable overseas interests, which consist of tile factories in Europe and South Africa, should provide Redland with a useful buffer, and one that many building materials producers do not have, against any tightening in the home market. In this country Redland's interests include bricks, pipes and quarrying as well as tiles. On the brick side it produces flettons—the cheap mass produced variety of brick that is London Brick's special province—of which Redland's annual output is something approaching 350 million compared with London Brick's over 2,500 million. But Redland also produces nearly 300 million non-fletton bricks, which are the better looking, more expensive bricks. Redland is one of the biggest non-fletton producers and many of these are little more than a man with an oven in a field. So, with its large well equipped works it can probably make better profits than some of its competitors.

Redland is also able to rejoice now in certain of its misfortunes—considerable liquid resources as a result of planning permission for a new brick works near Bedford being refused by the local authority and delays caused by a public inquiry into the diversion of a footpath around a proposed new tile factory in the west country. Cash in hand stood at £1,800,000 on the 31st March this year compared with £550,000 a year earlier and the value of quoted investments held was up from £14,000 to nearly £500,000. In view of the latest building restrictions shareholders would be justified in thinking the money better off where it is rather than invested in new capacity. But in the longer term, once the restrictions come off, demand for building materials will rocket again. And if capacity is not expanded now it will just mean yet another desperate shortage later on with lost profits all round both for builders and their suppliers. It is all the more ridiculous, then, that while builders putting up council houses are hampered by a shortage of bricks, a local authority is refusing planning permission for a new brick factory within the area.

DISTILLERS

Exports Rewarded

NO doubt Distillers must feel pretty miserable that the noble export achievements of the whisky industry (Distillers alone earned £62 million in the year to March) should be rewarded by a 7s. increase in the duty on a bottle of spirits in the last two budgets. That whisky should qualify for an export rebate of only 1¼% is an even unkinder cut. But what its shareholders ought to remember is that the export trade now accounts for rather over four-fifths of its sales. Indeed if consumption of Scotch in Britain suddenly ceased altogether, the drop would be offset by a mere two and a half years growth of sales abroad, at present rates of increase. More important than the rate of duty in the home market, are the future policies of foreign governments with regard to their booming imports of Scotch whisky, and the possibility of overproduction of grain whisky, of which Distillers is a net seller (to blenders). Profits for the year to March showed a healthy rise from £38.9 million to £44.4 million. The shares at 23s. 6d. yield 5.3%, on a nearly twice covered dividend.

In Brief...

Less to Come

This week's hammering of a small stockbroking firm and a decline in equity dealing to the lowest level since just after Christmas point clearly to the precarious existence of the small stockbroker relying on private investors rather than the institutions and their bond buying. August is always a quiet month for the stock market, but even so the weekly average of dealing volume is down to its September 1961 level. As the beginning of September is usually the quietest period of all, the next few weeks could well be even more heartbreaking for brokers and jobbers alike.

SHIPBUILDING

Mouldering On

Having lost many of their customers, most of their profits, and now increasingly some of their skilled workers too, British shipbuilders have much in common. But some companies are coping a good deal better than others.

JOHN BROWN'S shares were widely tipped when chemical plant shares were attracting the stock market's attention (the Constructors John Brown subsidiary is in chemical engineering) and again when machine tools became popular with investors (Wickman is the holding company for its machine tool interests); yet the shares at 36s. 3d. are 4s. 6d. below the year's high and now yield 6.1%, on a dividend covered 2.1 times. Pre-tax profits for the year to March 31st are up by nearly half to £3.2 million. Lord Aberconway, the chairman, may well feel disappointed that the market has shown little response to his company's figures, and investors who bought during one or other of the popularity periods may wonder why the shares have failed to live up to their hopes. In this case the market's lack of buying interest may be more than an irrational whim.

Although John Brown is now a diversified group this diversification is all in heavy industries, which tend to be cyclical. And given the narrow or negative profit margins in shipbuilding, and the poor outlook in railway rolling stock construction, investors' refusal to be tempted can be understood. Lord Aberconway's statements do little to encourage them. He has a perennial complaint about the profitability of shipbuilding and he now says that labour is leaving the industry to work in newly founded light industry in the Glasgow area. Maybe the workers who have gone elsewhere to earn more money show a healthier capacity to adapt to economic facts than the company they have left. Building a dry dock for ships of 260,000 tons may be a grand shipbuilding gesture, but before committing the company's money Lord Aberconway and his fellow directors should surely consider if the money could be more profitably used outside shipbuilding; his own statements suggest that it could. And as Cravens, the rolling stock subsidiary, traded at a loss and is finding orders hard to come by, why not shut it down? It is little consolation for shareholders to read that the management of loss making subsidiaries is excellent; they might justifiably feel that not only their money but also the management's ability is being wasted.

To be fair, it must be admitted that John Brown has diversified to some degree. It has built up an engineering works alongside its shipyard and has used its boiler making expertise in entering the electricity generating plant business; and its chemical engineering venture fitted into its traditional activities. But these are fairly small adaptations. As a whole the company is only marking time: pre-tax profits last year despite the 50% rise were still only at the level of 1957 and will need to increase by a further 50% this year to reach the 1961 peak. John Brown's great danger is that it will drift into the mire from which Vickers is trying to extricate itself.

Yet John Brown would be well placed to avoid the pitfalls of undue dependence on heavy engineering if it were only prepared to let its shipbuilding interests take second place and to sell or even shut down unprofitable subsidiaries. The net cash figure was £6 million in March and cash flow last year was over £2 million, although corporation tax and lack of overspill will reduce the figure this year. This cash could be put to good use in lessening the company's reliance on heavy industry with its cycles and lumpy income. But will it be?

This Way, Mr Geddes

DOXFORD and Sunderland has all the ingredients for a successful shipbuilding group: three shipyards, a marine engine works, a marine auxiliary works, a ship repairer, two light engineering companies and two iron and steel foundries. Yet trading profits for the year to March 31st at £775,000 are the lowest since 1952—nine years before the takeover of the Sunderland Shipbuilding Company, which represents a third of the present group. The chairman predictably lays the blame firmly at the door of current cut-throat competition in world shipbuilding—the group now has full shipyard order books for the next two years but has again had to accept contracts at a loss during the past year. But much of the fault lies closer home.

The company owns three shipyards; two of them—originally owned by Sir James Laing & Sons and Joseph L. Thomson - are reasonably modern within the limitations of the space available to them on the banks of the River Wear. The original owners and current managers of both yards had invested a fair amount in modernising their yards since the end of the war. But the third yard—originally owned by William Doxford & Sons—is one of the most cramped and worst equipped shipyards in Britain. It was virtually cut into the side of the river-bank in an earlier, more lucrative, shipbuilding era; yard roadways must now pass through the middle of fabricating sheds for lack of space and the cranes are inadequate for modern shipbuilding needs. It is highly doubtful whether these facilities are worth spending money on now.

So the first major step towards the "increased competitive efficiency" in the company which the chairman talks of making, is clearly to close down the Doxford shipyard when current orders are completed. This would solve not only the company's own labour shortages, but those of many other short handed yards on the Wear and nearby Tyne as well.

The Doxford Marine engine works have clearly got a rosier future with the successful development of the J-type engine and others in the Doxford line—and this side of the business is worth concentrating on—although the long-term future of these huge cathedral-type heavy marine diesels is admittedly questionable in the face of growing competition from lightweight high-speed diesels. The company would also benefit from a real integration of the management structure—instead of the loose ties of the various component parts that exist at present, often resulting in duplication and wasted effort. In fact without a thorough shake up of the company—hopefully to be provided by the Geddes Committee looking into the shipbuilding industry—the shares, now standing at 28s. 9d. and yielding 6.8%, will continue to have only speculative interest.

GENERAL ELECTRIC

A Little Local Decision

GENERAL Electric's sale of its Canadian subsidiary Amalgamated Electric to the American General Electric company will result in a gain for the British balance of payments of just $2 million. But it would be unwise to see the move as a straw in a new wind of capital repatriation in British industry. The position here was that Amalgamated Electrical manufactures switchfusegear, the low duty fuse equipment used in houses and factories. As such its customers consisted almost wholly of builders and contractors and its entire selling side was geared to this specialised sector of the market. For this reason GEC came to regard it as an unsuitable type of launching pad for its operations in the Canadian market. AE made its own products and could neither manufacture to GEC designs nor distribute GEC British-manufactured products. The sale really has the character of selling a trade investment, and is not any sort of policy decision concerning local manufacture as against exporting. So far as Canada is concerned GEC's future decisions on this will depend on the special factors affecting individual products. As is becoming clear, the whole business of export or manufacture overseas is infinitely more complicated than it seems and is crying out for research.

THE DISTILLERS COMPANY LIMITED

SIR RONALD CUMMING REVIEWS THE YEAR'S TRADING

The eighty-eighth Annual General Meeting of The Distillers Company Limited will be held in the North British Hotel, Edinburgh, on Thursday, September 16, 1965, at 12.15 p.m. The following are excerpts from the Statement by the Chairman, **Sir Ronald Cumming, TD,** which has been circulated with the Report and Accounts for the year ended March 31, 1965.

GENERAL OBSERVATIONS ON RESULTS

The accounts for the year to March 31, 1965 show a trading profit after depreciation of £39.3m., compared with £36.4m. last year. All sections of the Group shared in the increase in profit of some £3m., but the major portion was derived by our Scotch Whisky companies from a larger volume of sales to export markets during the year.

Income from trade investments amounted to £6.3m., compared with £3.4m., but it is important to note that a large part of the increase was due to changes in the dividend policies of some of our associated companies. If during the year under review dividends had been received corresponding only to those of the previous year, the trade investment income would have been £3.9m., showing an increase of about £500,000. The Company's income from trade investments will be much lower next year, but the Board would expect it to be of the order of £4m.

Of the profits included in these accounts, 77 per cent was produced by the potable interests of the Group but if adjustment is made for the additional dividends received on trade investments connected with our industrial business, the potable interests contributed 81 per cent of the normal income of the year.

An interim dividend at the rate of 5 per cent less income tax at 7s. 9d. in the £, was declared last December and it is now proposed that the final dividend should be at the rate of 7½ per cent less tax at 8s. 3d. in the £, making a total dividend for the year of 12½ per cent less tax, compared with 11½ per cent last year.

The total sales of the Group amounted to £346m. compared with £303m. last year. It will be appreciated that so far as Scotch Whisky and Gin are concerned, home sales are mainly duty-paid, whereas export sales are invoiced free of UK duty. I mention this as otherwise shareholders might be misled when I state that the Company's total earnings of foreign currency during the year exceeded £62m.

Shareholders will naturally be concerned about the future taxation position of the Company having regard to the introduction of Corporation Tax. Although this will undoubtedly have a detrimental effect as regards some of the Company's overseas investments, these are relatively small. So far as one can tell at this stage, on the proportion of profits presently distributed by the Company, the new method of taxation will not materially alter the total amount of tax chargeable.

SCOTCH WHISKY

The programme of increasing productive capacity and stocks of both Malt and Grain Whiskies, to which I referred last year, is progressing satisfactorily. The output of Malt Whisky has been doubled at Convalmore, Craigellachie and Imperial Distilleries and, in addition, a modern evaporation and drying plant is now in operation at Craigellachie Distillery for the disposal of effluent by extraction of residues suitable for animal feeding. Additional warehouse accommodation for our increasing Whisky stocks is currently being built in Clackmannanshire, West Lothian and Morayshire.

I am pleased to report that production at our Malt and Grain Distilleries reached record levels of efficiency and throughput during the year under review. The excellence of the barley of the 1964 harvest made a substantial contribution to the satisfactory results obtained at our Malt Distilleries, where only home barley is used.

The industry's sales in the Home market increased last year by 599,000 proof gallons or approximately 6.7 per cent. Much of this increase was due to anticipatory buying in March as a result of fears that the Chancellor might once again raise the spirit duty. These fears unfortunately turned out to be justified. The April, 1965 Budget marked the ninth occasion since 1939 on which the duty has been increased; and it is particularly depressing that this latest increase of 4s. per bottle should follow so shortly after the 1964 Budget increase of 3s. It is obvious that the industry is being compelled to bear far more than its fair share of taxation, in spite of its outstanding contribution to the United Kingdom's balance of payments and in spite of all the evidence that increases in the home rate of duty are followed all too often by overseas governments.

Competition on the Home market remained very keen during the year. Nevertheless our sales were more than maintained, but again we did not retain the percentage of the market previously held by our brands. The large stocks of first-class whiskies held by the Group guarantee the quality and the distinctiveness of our brands, upon which their reputation and success so greatly depend. Haig continues to be a clear leader in the Home market.

The exports of the Scotch Whisky industry have once again shown excellent progress. For the year ending March 31, 1965 the increase was almost 8 per cent and I am glad to say that in spite of the very highly competitive conditions prevailing today in the world markets for Scotch Whisky, the percentage increase achieved by the brands of the Company was even higher than the industry figure. The outstanding brand has again been Johnnie Walker, whose world wide popularity and sales far exceed those of any other brand in the industry.

The United States still remains the largest Scotch Whisky market and today is more competitive than at any previous time. The Company continues to maintain the closest co-operation with its distributors and has improved its share of shipments both in bottle and in bulk. We are particularly pleased with the expansion in sales achieved by Johnnie Walker in this country, and Dewars have also made progress. The shipment in bulk of certain of our brands is now well under way and some of these are establishing themselves amongst the leading names in this fast growing section of the trade.

With the exception of Canada, the Commonwealth markets have remained very firm, as has also South Africa, where White Horse retains its pre-eminence. Our business remains at a very high level in these countries.

In Canada, which for many years has been one of the larger export markets but recently a diminishing one, a change-over to 25-oz. bottles as used by the Canadian Distillers has been completed and has helped to bring the listed prices of Scotch Whisky more in line with those of Canadian Whiskies. It is now hoped that sales will again expand, particularly in view of the improved economy of the country and its favourable balance of payments position in relation to ourselves.

After many years' promotional work, Europe is now emerging as a market with great possibilities. France, in spite of the Government ban on advertising, is now the second export market of the world and is very closely followed by Germany, where "Black & White" and "Vat 69" are the leading brands. There is no doubt that the merits of good Scotch Whisky are being more widely recognised throughout Europe and the sales of our brands are increasing accordingly.

In general, our export trade throughout the world has been most encouraging, although the economic situation of certain countries in the South American continent and in some of the emerging countries in Africa makes trading with them extremely difficult and, in some cases, impossible.

GIN

Our Gin sales in the Home market were maintained although, as is the case with Scotch Whisky, sales were artificially inflated to some extent by substantial pre-Budget buying in March. The further heavy increase in duty is bound to have a retarding effect on demand, and indeed is intended by the Chancellor to operate in that way.

In markets where economic difficulties debar us from exporting or a preferential rate of duty applies to locally manufactured spirit, we continue to investigate the prospects of local production of one or more of our brands of Gin. During the year, we have commenced the manufacture and sale of Gordon's Gin in Canada and Jamaica.

Satisfactory progress has been made in various markets where Group brands are produced domestically. Sales of Gordon's and of Booth's "High and Dry" have recorded substantial increases in the United States and in two other major markets—South Africa and New Zealand. Indeed the demand for Gordon's Gin in the USA has made it necessary for us to erect an additional distillery and bottling plant there, and these are now under construction at Plainfield, Illinois. As mentioned above, production of Gordon's Gin in Canada commenced during the year and sales for the first nine months are promising.

VODKA

Sales of "Cossack" Vodka continue to advance. In view of the growth in the Home market, it was decided that a separate organisation with its own sales force, J. and J. Vickers and Company Limited, should be entrusted with the promotion of the brand.

FOOD GROUP

Sales of compressed yeast for use in baking show little change but the use of yeast for other purposes is increasing and production is at a record level.

The United Yeast Company Limited and its subsidiaries showed an expansion in sales of foodstuffs in a market that is becoming increasingly competitive.

The Peerless Refining Co. (Liverpool) Limited had a satisfactory year's trading despite a very unsettled market.

CHEMICALS AND PLASTICS GROUP

The year has been one of increasing demand for the products of the Group and this has led to plants in many sectors being continuously operated at full capacity. As a result, the Group has had another good year with substantially higher turnover and profits.

In common with other chemicals and plastics companies both at home and abroad, we are at present engaged in a very considerable programme of capital investment designed to increase capacity and keep our processes up to date. To some extent this general upsurge in investment is making up for the pause which occurred in this country and in many others in 1962 and 1963. However, the number and size of new plants under construction clearly suggest that, in the not very distant future, the present world balance between supply and demand will be succeeded by a return to the highly competitive situation of previous years, with renewed pressure on profit margins. We are working hard to equip ourselves to meet this challenge.

CHEMICAL DIVISIONS

The Industrial Solvents Division has had a successful year, with most plants at its Hull factory operating at full capacity. The second acetic acid plant is now under construction and will begin operating in mid-1966 with a capacity of 75,000 tons per annum.

Carbon Dioxide Division. The demand for carbon dioxide has continued to grow and it has been possible to make marked reductions in price as the result of scale economies in production and the delivery of bulk liquid in tankers. Our new plant at Coleshill operated well throughout the year, and an increase in its capacity was successfully commissioned in time for the 1965 summer peak demand. Further expansion is in progress. Much effort continues to be directed towards developing new techniques for the use of carbon dioxide.

Carbide Division. Calcium carbide production at Kenfig set a new record for two-furnace operation over a period of twelve months. As indicated in my last statement, we informed all employees at Kenfig two years ahead that the plant would cease operating in the summer of 1966. This early announcement, coupled with fair and reasonable compensation terms for those whose service with the Company will be terminated, has been reflected in the good labour relations and excellent output of the factory this year.

PLASTICS COMPANIES

British Geon Limited. The world demand for polyvinyl chloride has continued to grow and big increases in manufacturing capacity were commissioned this year, bringing it up to 90,000 tons per annum. Sales of Breon nitrile rubbers have again expanded and this plant is working to full capacity. Further extensions are under construction for both P.V.C. and nitrile rubbers.

British Resin Products Limited has had another good year on sales and profits. Increased facilities to meet the rising demand for its range of surface coating resins are nearing completion.

ASSOCIATED COMPANIES

BAKELITE XYLONITE LTD.

This company, which is owned equally by D.C.L. and Union Carbide Corporation of the U.S.A. and was established to amalgamate their existing interests in some areas of plastics manufacture and fabrication, is now in its third year of operation. 1964 showed a marked increase in profitability. Steps continue to be taken to regroup the numerous units which were brought together by the merger.

Demand for certain plastics raw materials manufactured by Bakelite Xylonite has been particularly strong and continued growth is expected. The expansion of polyethylene facilities at Grangemouth, which was authorised last year, will become effective in the near future.

BORDER CHEMICALS LIMITED

I referred last year to the formation of this new company, jointly owned by D.C.L., The British Petroleum Company Limited and Imperial Chemical Industries Limited, which is to make acrylonitrile using the D.C.L.-Ugine process. The construction of Border's 40,000 tons per annum acrylonitrile plant at Grangemouth has met with some difficulties through delays in delivery of plant and equipment and by reason of unofficial strikes and a particularly lengthy demarcation dispute. The plant should be on stream by late summer. At present all the acrylonitrile required by the synthetic fibre and plastics industries is imported and the establishment of production by Border will therefore bring about a very substantial saving in foreign currency. Another project now being planned for this company is the manufacture of acrylic acid and acrylate esters alongside the I.C.I. Works at Wilton, Yorkshire. The process used will be one largely developed by D.C.L. Acrylates are used extensively in synthetic paints and fibres.

BRITISH HYDROCARBON CHEMICALS LIMITED

In this joint operation with the British Petroleum Company Limited, I am pleased once again to report a record level of petrochemical production at Grangemouth. We have also established profitable operations at Baglan Bay in the second year on stream.

Demand for B.H.C.'s products has been at a very good level and, with some exceptions, the pressure on prices has been less acute than a year or two ago. However, the prices of most products have been reduced during the year as a result of economies due to greater efficiency and increasing scale of production. The key operation at a petrochemical complex is the production of ethylene. B.H.C.'s output of ethylene has increased five fold over the last ten years and a large new 250,000 tons per annum plant is now to be built at Grangemouth, to come on stream in 1967. In addition, the plant for Rigidex high-density polyethylene, a derivative of ethylene, is being expanded from 21,000 to 44,000 tons per annum.

DISTRENE LIMITED

Jointly owned with the Dow Chemical Company of America, this company manufactures polystyrene moulding powders and has had another satisfactory year. The plant is working to full capacity and additional equipment will come into operation in the next few months to meet the increasing demand for Distrene's range of high grade products.

MURGATROYD'S SALT & CHEMICAL COMPANY LIMITED

Murgatroyd's, which we own jointly with Fisons Limited, has had another satisfactory year, with higher levels of production as a result of relatively minor capital expenditure. There is a ready demand for all the chlorine that Murgatroyd's can produce and full capacity operation is assured.

OVERSEAS DIVISION

C.S.R. CHEMICALS PTY. LIMITED (AUSTRALIA)

The company showed improved results last year. Contracts have been placed for the installation of a plant for the manufacture of plasticiser alcohols.

Demand for plastics materials continues to grow in Australia. As regards associated companies, C.S.R.C.-Dow has installed a new polystyrene plant at Altona, which came on stream towards the end of 1964, and B.F. Goodrich-C.S.R. Chemicals is increasing its P.V.C. resin manufacturing capacity. Both companies have faced intense competition during the year.

NORTHGATE & ENGLISH STORES

An Active and Successful Year's Trading

The Report and Accounts of Northgate and English Stores Ltd. for the year ended January 31, 1965, showed:

- Profit of the Group before tax, was £1,121,203 compared with £946,738 for the previous year after adjustment for pre-acquisition profits.
- Final Dividend on Ordinary Shares of 15 per cent less tax, making 25 per cent less tax, for the year. (Equivalent for 1963/4 23½ per cent, adjusted for Bonus Issue in July, 1964.)
- Since January 31, 1965, the Company has acquired over 97 per cent of the issued share capital of Daintifyt Brassiere (Holdings) Limited, and is in course of acquiring the balance. The profits of Daintifyt for the year ended December 31, 1964, amounted to £194,974 before tax, and these are not included in either of the above Group figures.

NATIONAL CHEMICAL PRODUCTS LIMITED (SOUTH AFRICA)

This company has had a very good year; turnover improved on the previous year and profits were also up. To meet the increased demand for phthalic anhydride, which finds its mains outlet in plastics materials and paints, a new plant is being installed at the Germiston factory. Sales of animal feed products continue to do well, both in the local and export markets.

HERDILLIA CHEMICALS LIMITED (INDIA)

Herdillia, in which D.C.L. holds 25 per cent of the equity, made a public issue of shares at the end of May and construction has commenced of a factory near Bombay, where the company will manufacture a range of key organic chemicals, including phenol, acetone, phthalic anhydride and phthalate plasticisers.

RESEARCH & DEVELOPMENT DIVISION

With the rapid increase in commercial exploitation of processes developed by the Division, a considerable supporting effort has been called for, both to achieve still further technical improvements and to assist with commissioning of plants. At the same time, research effort has continued in the fields of organic chemicals and plastics, with particular reference to methods of using the petrochemical raw materials available and to improving the properties and applications of polymers.

PLANNING & LICENSING DIVISION

Growing interest in D.C.L. processes, not only those already established but those at present under development, is indicated by the increasing number of enquiries handled by the Licensing Department. During the year, in addition to those already mentioned, licences have been negotiated for the use of our acetic acid process in Russia and for our acrylates process by Union Carbide Corporation of America.

PERSONNEL

This has been a year of intense effort in all sections of our business and all our employees have given us of their best. It is impossible here to deal specifically with individual cases but I am sure our shareholders would like to be associated with the Board in expressing our real appreciation of all that has been done by our employees to promote the interests of the Company.

FUTURE PROSPECTS

Your Company operates in industries which offer great opportunities for expansion. Although the immediate economic outlook at home is uncertain, your Company's very substantial stake in exports should ensure that results for the current year will be satisfactory.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to: Financial Publicity Department,

THE ECONOMIST,
25 St. James's Street,
London, SW1.

JOHN BROWN AND COMPANY LIMITED

Engineers and Shipbuilders

POINTS FROM LORD ABERCONWAY'S STATEMENT

The Net Consolidated Profit, before tax, for the year to March 31, 1965, at £3,228,000 is an improvement on the previous year's figure of £2,250,000 and better than the interim forecast of "approaching £3m."

A final dividend of 7 per cent, less tax, is recommended which with the interim paid of 4 per cent, less tax, gives a total for the year of 11 per cent, less tax, the same as for the previous year.

Most of the subsidiaries had a satisfactory year but three did not: **John Brown & Co. (Clydebank) Ltd., John Brown Land Boilers Ltd.** and **Cravens Ltd.** Each found it necessary to make further substantial provisions to meet expected losses on contracts in hand and none covered its overhead expenditure.

SHIPBUILDING, LAND BOILERS AND RAILWAY ROLLING STOCK

The winning of the order for the new Cunarder was a great triumph; the excellent co-operation which has always existed with Cunard will ensure that the ship will be a worthy product of British design and workmanship.

A bold and imaginative scheme has been evolved to re-channel the River Clyde and thereby creating space at Clydebank for the building, in dry docks, of ships of up to 260,000 tons. The success of the project rests upon Government financial support and the co-operation of the Trade Unions.

Each Partner in the **Foster Wheeler-John Brown Land Boilers Consortium** is concentrating its facilities in the execution of the large and long term order book with which the Consortium has been entrusted by the Central Electricity Generating Board and the South of Scotland Electricity Board.

Cravens Ltd. again had a difficult year; orders were insufficient to keep the works fully employed and price-wise were unremunerative. An order from British Rail for 57 passenger cars for Glasgow's suburban electrification system is welcome.

MACHINE TOOLS AND ENGINEERS' CUTTING TOOLS

The **Wickman** group of subsidiary companies enlarged during the year by the purchase of **John Lang & Sons Ltd.** and **A. Kitchen-D. Walker Ltd.** continued to benefit from the improvement in orders, which started at the end of the previous year, for machine tools and tungsten carbide products in the home and overseas markets.

The range of tools has been further extended by the acquisition, since the end of the year, of **Taylor & Challen Ltd.** manufacturers in Birmingham of power presses and specialists in minting machinery.

Webster & Bennett Ltd. has enjoyed a steady demand for its vertical boring and turning mills and the manufacturing programme for the current year has been stepped up.

Firth Brown Tools Ltd. has been very busy throughout the year; home demand was at a high level, but this did not prevent an increase in export business.

OTHER SUBSIDIARIES

Markham & Co. Ltd. has continued to operate at full capacity and high efficiency on water turbines for Boving & Co. in many parts of the world; on winding engines for the National Coal Board and on contracts for the pneumatic conveying of solids.

Constructors John Brown Ltd. has made excellent progress and is steadily widening its field of operation. Contracts on hand include the 500 mile long 28-inch Algerian oil pipeline; two refineries, one for Shell in Denmark and the other for B.P. in Australia; chemical plants for various important customers and, in association with Stone-Platt Industries Ltd. and I.C.I. Ltd. a polyester fibres plant valued at some £30m for Russia.

The plastics machinery division, which embraces **Cravens Machines Ltd., Bone Brothers Ltd.,** and **Tooling Products (Langrish) Ltd.** has had an active and more successful year albeit in conditions of fierce competition.

In Canada, South Africa, Rhodesia, India and Australia the subsidiary and associated companies had without exception a busy and successful year.

BRITISH RELAY

Lord Renwick's Review

The thirteenth Annual General Meeting of British Relay Wireless and Television Limited will be held at Giltspur House, Giltspur Street, London, EC1, on September 17th.

The following is the Review by the Chairman, **Lord Renwick of Coombe, KBE,** circulated with the Report and Accounts for the year ended May 1, 1965.

RESULTS AND DIVIDEND

The trading profit at £4,968,945 shows an increase of some £236,000 over last year. This advance, in conditions which have been most unfavourable to the television industry generally, I regard as very encouraging, and taking account of the higher depreciation and interest charges arising from the considerable expansion which we have carried out during the year, we are satisfied with the marginal improvement in the figure of net profit.

As was anticipated when the interim dividend was declared your Directors recommend a final dividend of 6 per cent making a total of 10 per cent for the year. After paying these dividends and the dividend on the preference shares the profit and loss account reserve is increased by some £266,000 and now stands at £1,589,966.

The unfavourable conditions to which I have referred stem mainly from the failure of BBC-2 to stimulate the higher demand for television which the industry generally had anticipated. The consequences are two-fold. On the one hand we have incurred the costs of equipping our relay systems and sets for the new programme; on the other, the volume of business has been far less than we had hoped for, while, at the same time, acute competition in a narrow market has brought with it a general lowering of rental charges. Naturally enough, had BBC-2 been a success, we should have had a greater contribution from the new business to help defray the costs of preparing for the new channel. In the circumstances, however, it is, as I have said, encouraging to have achieved the results which we have recorded, and with the wide coverage our relay systems now have we can take great advantage of the expansion in the market which will take place once we have the right programmes.

TELEVISION RELAY

When we first began the development of wired television the need was to establish a wide enough area of operations in which to extend our systems. At the start we had the original areas in which radio relay services had been operating over many years and our first objective was to wire these areas for television. These areas in themselves were not sufficiently extensive to create the size of operation which the company needed and as you know we have competed for and been very successful in obtaining concessions from local authorities to operate our relay services in a great many additional places. Our relay systems are now established in 20 London Boroughs and in some 50 other cities and towns throughout the country, and cover a population of over 4 million.

The task of erecting the cable networks on this scale is a specialised one, a lengthy one and a costly one. But the systems must be built before the earnings can be made and the building and the costs of the building must inevitably run ahead of the earnings.

The relay developments in Hemel Hempstead and Crawley provide good examples of this. You will remember that in my review last year I referred to our successful tender to provide relay services in these two new towns. To meet the requirements of the contract the principal cost of wiring these towns was all incurred within the first six months of the year. This is an exceptional rate of progress involving the siting and building of a receiving station, a relay station and a service depot, in each town, and the installation of the cable distribution system throughout the 20,000 houses in each place. In cases such as these there is a substantial charge for depreciation well in advance of the earnings, although I am pleased to say that in both these places the subscriber growth is developing well and the promise is good.

As well as in these two special cases, we have established during the year our systems in Colchester, and in Motherwell and Rutherglen in Scotland, and have continued to develop and extend our relay networks in the areas where we are already established. I have mentioned earlier in this report the expenditure on equipping our stations and networks to carry BBC-2 and on the conversion of our relay television sets to reproduce 625 line pictures. The plant we lay down is basically capable of carrying more services than are currently available, whether the pictures be black and white, or in colour, 405 line or 625 line, and whether broadcast in VHF or UHF bands or transmitted on a pay television basis. We do not, however, equip all the circuits in advance of these developments, and the costs to which I referred are those of providing receiving and transmission equipment in our relay stations and of equipping the already available circuits on our networks. In the current year we shall incur the costs of similar work in our Northern and Scottish Areas of operation, and this again is expenditure in advance of the earnings which will develop from it. However—and this is significant of the methods we have adopted—all our networks will be distributing BBC-2 and the majority of our sets already on hire will have been modified to receive it and future 625 line transmissions.

From what I have said you will appreciate that a large part of the capital investment needed to enable subscribers to our relay service to receive new programmes as they become available is already embodied in the technical standards of our relay system. The value of investing in our business must always be judged on a long-term basis, and we are investing in networks which will last for many years and our systems and terminal units will go on earning when in other cases considerable sums may well have been expended in renewals.

With these networks we have, as I have said, now established a wide area of coverage. A list of the places in which we operate our service is published with the accounts and in nearly all of these places the building of our main distribution systems is completed. There will continue to be additions and extensions within these areas as opportunities and demand arise, and there is, of course, the work in hand which I have mentioned, of equipping for BBC-2. In the current year, however, the capital expenditure on relay stations and on the building of our main distribution networks will be less than half that of last year. While, therefore, we shall continue to seek opportunities for developing our systems in areas where there is a future growth potential, the immediate heavy programme of simultaneous development in many places is drawing to a conclusion and this reduction in the programme of building will give the earnings an opportunity to catch up with capital expenditure.

In the past year, unlike the demand for television generally, that for our wired services has been maintained and, although, as I have said, we were hoping for better things, the subscriber growth equalled that of the previous year. The ready availability, without the problem of aerials, of the new channel—and of a fourth channel should one be introduced—the inclusion of radio and the advantages of stability and simplicity which the system provides continue and I am sure will continue to attract the public to our service in preference to other forms of reception.

PAY TELEVISION

Experimental Licences for pay television were issued to three companies in October last year, shortly before the general election. The new Government soon indicated its intention of reviewing the experiment along with broadcasting policy, and in the uncertainty thus created two of the companies, as you will no doubt have seen in the press, turned in their licences and have withdrawn from the experiment. The remaining company, Pay-TV Limited, in which we have a one-third interest and indeed promoted, did not consider that there had been any significant change in the conditions which existed when it accepted its licence, and has continued to represent to the Government the case for pay television by wire and to press for the Government's conclusions.

In a written statement a few weeks ago, the Postmaster General finally said that it was the Government's view that the case for an experiment is still valid, and that the remaining steps would now be taken to allow the experiment to proceed.

Your company has played throughout a leading part in promoting the concept of pay television by wire. Wherever our networks are established facilities exist whereby box-office type entertainment can be communicated to the

home and pay television will, if it is successful, provide a new source of revenue from these networks. The system of pay television which Pay-TV Limited will use has been developed by your company and our agreements with Pay-TV Limited provide for a payment by way of royalty for the use of this system as well as for the payments for the circuits on our networks which we shall make available. It remains now to be seen whether the type of programme which Pay-TV Limited aims to supply will attract a regular and large enough paying audience. Pay-TV Limited believes that there is a significant audience which cannot be catered for fully by either commercial television or the BBC. However this may be, the current cinema film in the home is an undeniable attraction, and both the film producers and the film distributors, seeing the possibility of recovering through pay television the lost audience for their products, have given their full support to the experiment.

Circuits on our networks in Westminster and Southwark have been made ready, and Pay-TV Limited aims to start its service during the autumn. This will be the first time that a relay system has carried a programme which is not available over the air, and we look forward to the public reaction with very great interest.

RENTAL AND RETAIL

I have reported at some length upon our relay business because this is our principal investment. Our rental business developed in the early days in support of the relay business when we continually encountered a demand for television in advance of the building of our systems and met this demand by renting standard television receivers. Since those early days the rental business has been developed in its own right mainly in areas adjacent to our principal relay centres so that the rental operations can be contained within the established relay administrative and service overhead.

In readiness for BBC-2 we made, as I reported last year, a considerable expansion of our rental service in the London and Midland areas by opening some fifty new branches. The volume of new business has not contributed sufficiently to the costs of these new branches but most of them have made good progress and I am sure that the expansion will prove useful to us in the future.

Last year I commented on the adverse effect BBC-2 was having upon the rents commanded by our many single-standard sets, without creating a compensating demand for the new types of receiver. Unlike our relay sets, 405 line television receivers cannot be converted economically to receive BBC-2, but I am pleased to say two things—firstly, that as a result of our policy of depreciation all but a very few of these sets have been fully written off; and secondly, that while the rents have fallen the demand for and therefore the utilisation of these sets remains high.

On the retail side we have generally made good progress and have again increased the turnover in electrical goods. The public is becoming increasingly aware of the need to have a sound and reliable service organisation behind the sale of most electrical equipment and our reputation for service in the television field is extending into the wider field of domestic electrical goods. This business is developing well, particularly where we have a strong television subscriber position, and has made a useful contribution to our earnings.

THE FUTURE

There is one aspect in particular of the future position of the company upon which you will wish me to comment, and that is the effects upon our profit and loss account of corporation tax. To make any forecast beyond the current year I would need to anticipate future profits and also to have a clearer understanding of the provisions of the Finance Act and their application than anyone has at the present time.

In 1955 the Balance Sheet of your company showed a fixed assets cost figure of £2,977,243. In ten years this figure has grown to £37,229,191. The capital investment represented by the difference between these two figures has been undertaken during a period when, for the most part, investment allowances have been available, and we have substantial unused allowances which we are entitled to carry forward. As I say, the precise way in which these allowances can be utilised in the future cannot be determined until we know how the provisions of the Finance Act are to be applied. So far, however, as we are able at present to establish our position, we do not anticipate that there will be a charge for corporation tax appearing on the profit and loss account at least in the current year.

So far as our general progress is concerned, I hesitate in the present conditions to make a positive estimate. The volume of new business will be the criterion and this is going to depend upon the economic position of the country as much as upon other factors. We are faced immediately with new restrictions on hire purchase and renting, and while I do not think that these will necessarily have an adverse effect upon the economy of the company in the current year they are indicative of a difficult period ahead and perhaps the forerunners of new restraints.

There are, however, factors working in our favour. Although in the current year we shall, of course, incur the costs of equipping our relay systems in the North and in Scotland for BBC-2, the reduction in expenditure on the expansion of our networks will help to contain the depreciation charge, and since this is such a large figure in our accounts, a small variation in the right direction has a substantial effect. The position we have established with our relay service is undoubtedly a strong one, and the way in which the earnings develop is largely the determining factor in our future progress. The current level of expenditure is well within our own resources and by the end of the year we anticipate a material reduction in the bank overdraft, while the facilities available to us should meet a substantial upturn in demand.

In the conditions with which the country is faced today the complexity of the problems facing the management increases almost daily. Influences brought to bear on the business by Government regulations and by new law, quite apart from the disturbance of the trade generally in a period of uncertainty, create the need for constant adjustment in our affairs. A great deal of extra effort is needed to counter the difficulties and special thanks are due to our Managing Director, Mr Barry King, and his colleagues for their unrelenting efforts in the furtherance of your company's business. Mr King has in addition played a leading part in bringing pay television into being and if this becomes in time a successful service it will owe much to his leadership in the prolonged and difficult negotiations of the past eighteen months.

BRITISH RELAY WIRELESS AND TELEVISION LIMITED

I.B.E. LIMITED

Extracts from the Statement of Mr Robert Montgomerie, the Chairman:

Our profits for the twelve months ended March 31, 1965, represent an improvement of more than 45 per cent over the record figures of the previous year.

Negotiations with a view to financing our development programme by long term borrowing resulted in £150,000 being granted to us on terms which, in the circumstances, we regard as very satisfactory, and our finances are now adequate to take care of our foreseeable needs for some years ahead.

The roads section of our activities has accounted for 48½ per cent of our turnover. Reorganisation and development, to which I referred last year, has continued although naturally it will be some time before the full benefits are felt.

The specialised building and industrial materials division has contributed 32½ per cent of our turnover. This section is still expanding

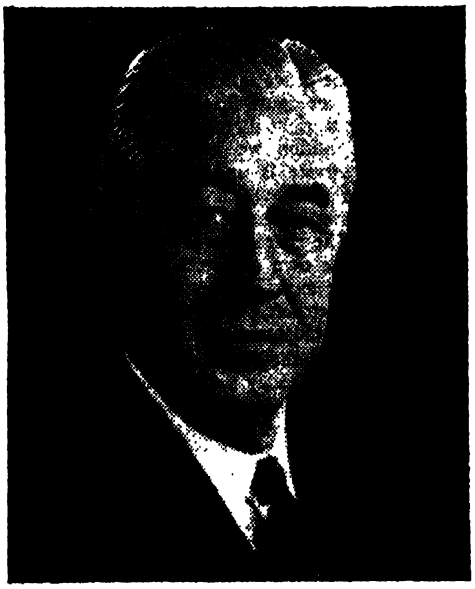
Our paint section has accounted for 19 per cent of our turnover and I am pleased to report moderate but encouraging improvements in both sales and profits.

Reports concerning our various activities since the end of March encourage me to believe that the improvement shown last year is being very well maintained and I have every reason to expect that the present year will be no less satisfactory.

CAPITAL:

Authorised	**£1,105,000**
Issued	**£1,055,477**
Profits from trading and trading investments	**£321,748**
Net Profit after taxation	**£158,539**
Ordinary dividend for year to March 31, 1965	**12½%**

UNITED DOMINIONS TRUST



Mr Alexander Ross reports vigorous growth in a difficult year

PROFITS EXCEED £5 MILLION
GROUP ASSETS £298 MILLION

The following are salient points from the Statement to Stockholders on the Accounts for the year ended 30th June, 1965:—

Accounts

Once again, I am glad to be able to report an increase in profit, from £4,444,000 to £5,092,000. This result has been achieved in the face of such factors as a Bank rate of 7 per cent from November 1964 until the beginning of June, and the difficulties and uncertainties of new legislation.

Group assets have risen to no less than £298,346,000 and a final dividend of 14 per cent is recommended on the Ordinary Stock, as increased by the bonus issue last December, representing a gross amount equivalent to the total distribution made last year. We have considered it prudent to provide for Corporation Tax at a rate of 40 per cent, although we hope that the rate will not exceed the "neutral" 35 per cent.

The increase of 2 per cent in the Bank rate produced an immediate and heavy increase in our costs without any compensating increase in income on the very large amounts of business outstanding at rates fixed when the Bank rate was 5 per cent or below. Fortunately, the constant rise in the proportion of our business which is in industrial and other loans carrying interest geared to Bank rate has helped to lessen the impact of the increase in the official rate.

Growth and Restriction

The amount of business obtained and on offer to us during the year was considerably above that of the previous year. An indication of the size of this expansion is given in the increase of £65,961,000 in customers' balances and advances.

In anticipation of more severe credit restraint, we were able to add to the resources at our disposal. We are, therefore, in a favourable position to expand our business when the Government feel able to relax the curb on credit.

The volume of business under the credit sale plan has shown that many of our customers prefer it to hire purchase, and a very substantial increase in new business has come to us.

Home and Overseas

Our Industrial Division has continued to make excellent progress and all home subsidiaries have traded successfully.

International Finance and Services has already financed over £5,000,000 of business and we are working steadily toward the provision of a comprehensive exporting service. In this field we have the benefit of well established companies in the Commonwealth and of more recently acquired interests in Europe. The aggregate profit of our overseas companies continues to increase.

Although the new taxation legislation also penalises overseas investment, the effect on your company is not likely to be serious as we have no major investment in territories where the level of local taxation is at the moment greatly in excess of the likely rate of Corporation Tax.

Prospects

It seems inevitable that, for a substantial part of the current year at least, we shall be contained within the artificial limits of credit restriction. In coping with this restriction, we shall seek to devise the means which will best enable us to expand smoothly when we are again able to take business freely.

I am in no doubt that in spite of the difficulties we shall acquit ourselves well.

SUMMARY OF GROUP RESULTS

	1962 63 £'000	1963/64 £'000	1964'65 £'000
Profit before tax	£3.027	£4.444	£5,092
Capital, Reserves & Surplus	£25.448	£25.929	£26,758
Deferred Income	£11,527	£13.739	£18,723
Total Assets	£203,774	£229,136	£298,346

UNITED DOMINIONS TRUST LIMITED, 51 EASTCHEAP, LONDON, E.C.3

THE GROUP HAS 119 OFFICES IN THE U.K. & 57 OVERSEAS. COMPANIES IN AUSTRALIA, CANADA, CHANNEL ISLANDS, KENYA, EIRE, NEW ZEALAND, NIGERIA, RHODESIA, SOUTH AFRICA, JAMAICA AND TRINIDAD & ASSOCIATED COMPANIES IN EUROPE

The Doxford and Sunderland Shipbuilding and Engineering CO LTD

IMPORTANCE OF INCREASING COMPETITIVE EFFICIENCY

Highlights from Sir Henry Wilson Smith's statement

Group Trading Profit comes out at £225,000 as against £558,000 shown in the 1963/64 Accounts. Adjustments to opening provisions bring in £171,000. Investment Income was £180,000 compared with £98,000 in the previous year. Development expenditure on the new Doxford "J" Engine which we continue to write off against profits, required £139,000 as against the sum of £105,000 in the 1963/64 Accounts. The total profit before taxation is £437,000, a fall of £114,000 from last year's figure.

This year there is a credit of £120,000 in respect of income tax recoverable, which, after deducting £45,000 transferred to Tax Equalisation Account, results in a net credit for tax of £75,000. When this is added to the profit before taxation of £437,000 the resulting total of £512,000 compares with the profit after taxation last year, of £423,000. In these circumstances, the Board felt able to recommend the maintenance of last year's dividend of 10 per cent by proposing a final dividend of 5 per cent in addition to the interim dividend of 5 per cent.

The year now under review was an eventful one in terms both of orders and of development. The Group's shipyards and engineering works, taken as a whole, were operating at a high level of activity and ended the year with substantial order books. The failure to produce higher profits, for which I had hoped twelve months ago, can be ascribed to a number of reasons. First of all, 1964/65 was a year in which the Group in general was working on orders obtained in the face of increasingly severe competition, and especially in the case of the shipyards against fierce foreign as well as home competition. With a marked inflationary rise in costs, both for labour and materials, profit margins came under increasing pressure. Secondly, there were frustrating delays in deliveries, due to a number of causes of which one of the most significant was a shortage of labour and above all of skilled men. For a Group like ours it is ironical that, on the basis of national statistics, we are regarded as operating in an area of over average unemployment, to which new industries ought to be attracted, when we ourselves are unable to man satisfactorily our existing activities. As far as we can see (and we have some practical experience) the first effect of the arrival of a new enterprise is to take away some of our existing employees and thus to exacerbate our own manpower problem.

In addition, there was the impact of the further considerable charge for development work on the new Doxford "J" Engine. We have now absorbed the bulk of the cost of the development work required and it seems to have been very worth while. The new large engine has been well received and has already attracted eleven firm orders as well as many serious enquiries.

The success of the "J" engine is, of course, a matter of the highest importance to the Doxford and Sunderland Group. We have proceeded with the building of the 64,000 ton tanker, in which is being installed the first "J" engine after its thorough and prolonged test-bed running. The ship will be owned by us and operated under charter to Shell Tankers. It was launched at the beginning of May and was named "NORTH SANDS." On present expectations, it should go to sea in the near future.

OPERATIONS OF SUBSIDIARY COMPANIES

Shipyards: The three shipyards Doxford's at Pallion, Laing's at Deptford and Thompson's at North Sands were, as expected, well occupied during the year. For the reasons which I have already given, however, profits were a good deal lower than expected.

A large number of orders were booked and the shipbuilding forward order book is virtually full until towards the end of 1967.

The Group's shipbuilding output in the next few years will contain a very substantial export content amounting to some £15,000,000.

Doxford Engine Works: Traditional business, in the building of former types of Doxford diesel engines and in the manufacture and sale of spare parts for engines now in service, was inevitably overshadowed by the development work on the "J" engine. None the less, the profits from that traditional business were reasonably well maintained.

Ship-repairing: The volume of work available was reasonably satisfactory but in the main only obtainable under strictly competitive conditions.

Engineering Companies: Sunderland Forge again made a loss, in spite of an increase in turnover and the benefits from earlier drastic reorganisation. However, there is still a healthy flow of business and during the current year renewed efforts are being made to return this Company to a profitable basis.

John Lynn, although its results for the year were also disappointing, made further progress with its new and profitable line in the manufacture and sale of Williamsform ties for the building and constructional industries. Its new factory for industrialised manufacture of housing components is now completed and is about to commence production.

Wolsingham Steel Company had an active and profitable year and, apart from its substantial outside business, performed many useful services for other Companies in the Group.

Sunderland Engineering Equipment Company has operated satisfactorily, and made a reasonable profit.

GENERAL OUTLOOK

The longer term future of the British shipbuilding industry and its related engineering activities is essentially dependent upon competitive power. Everything depends on the drive to increase competitive efficiency. Much remains to be done and this will call for a concerted effort from management, from the men and their Trade Unions, from the suppliers who are responsible for a high proportion of the content and cost of a ship and, as may be appropriate, from the Government.

In these circumstances, I find it impossible to be dogmatic about the future prospects of the Doxford Group, especially in the longer term and in relation to profits. Nor do I feel justified in saying anything at all precise on shorter-term prospects. We have certainly got plenty of work and we shall persist with our efforts to increase our own competitive efficiency and thus to improve the profitability of the Group's operations.

The Annual General Meeting will be held on September 14th at The Queen's Room, Baltic Exchange, St. Mary Axe, London, EC3.

Copies of the Report and Accounts and the Chairman's Statement may be obtained from the Secretary of the Company, P.O. Box 25, Pallion, Sunderland.

NCHANGA CONSOLIDATED COPPER MINES LIMITED

(Incorporated in the Republic of Zambia)

The following points are from the Annual Statement by the Chairman, Mr. H. F. Oppenheimer:

FINANCIAL RESULTS

	1964-5	*1963-4*
SALES PROCEEDS	£61,232,000	*£46,246,000*
ROYALTIES	£9,255,000	*£5,034,000*
PROFIT BEFORE TAX	£22,184,000	*£19,070,000*
TAXATION	£11,170,000	*£9,130,000*
NET PROFIT	£11,014,000	*£9,940,000*
DIVIDENDS	£10,800,000	*£9,450,000*

PRODUCTION AND SALES

The production of finished copper, including copper processed for the company by Bancroft Mines Limited, rose by 23,402 long tons to 232,258 long tons while sales increased by 53,861 long tons to 253,743 long tons.

Planned output at Nchanga for the current year is 250,000 long tons. However, a gradual reduction in grade of ore mined is to be expected in future years and it will be difficult to maintain output at current levels unless the plant is extended either at Bancroft or at Nchanga.

The balance of stocks of copper accumulated in previous years when sales were restricted has been sold and stocks on hand at 31st March, 1965, were normal.

INCREASES IN PRODUCERS' PRICES

Increased world demand caused the price of copper to rise to peaks of £531 per long ton in November 1964 and £552.10.0d. per long ton in April 1965. The major producers progressively increased the price at which they sell to their contractual customers from £244 per long ton in August, 1964 to the present price of £288 per long ton.

ROYALTIES

A return to a lower and more stable price for copper is particularly desirable to Zambia, whose economic well-being would be served best by a sound and steady demand for copper, free from the threat of substitution.

The Zambian Government announced in May 1965 that it would impose the same formula for royalty as was previously applied by the British South Africa Company, in terms of which royalty is calculated by reference to the average monthly prices for copper on the London Metal Exchange rather than to prices actually realised, or to profits.

BANCROFT MINES LIMITED

Bancroft Mines Limited, which became a subsidiary of Nchanga on 23rd September, 1964, has submitted an application for full remission of royalties with effect from 24th October, 1964. For the year under review the average royalty paid was £39.17.0d. per long ton compared with £24.2.0d. per long ton for the year ended 31st March, 1964. During the quarter ended 30th June, 1965, Bancroft made a loss of £300,000 after royalty payments averaging £49.15.0d. per ton amounting to £473,000. Relief from the burden of royalty is clearly of paramount importance to Bancroft Mines Limited.

Bancroft has changed its financial year end to accord with that of the parent company. During the post-acquisition period to 31st March, 1965, Bancroft incurred a loss of £1,111,000 of which £750,000 relates to expenditure of a capital nature designed to maintain production. For the full nine months period since 30th June, 1964, the loss amounted to £1,790,000 of which £1,020,000 related to royalty payments.

The expected improvement in Bancroft's operations became apparent in early 1965 and the trend has continued. In view of this the Directors did not consider that the effect of Bancroft's losses on this year's consolidated profits of the two companies should be taken into account when considering the final dividend.

In his recent budget speech, the Minister of Finance announced a reduction of Bancroft's tax from 9s. to 7s. in the £1. Any profits Bancroft may earn in future must offset its very substantial accumulated tax loss before a taxable income will arise.

BANCROFT-NCHANGA LINK

Almost half the increase in the company's output during the year is attributable to the implementation of the scheme for processing Nchanga ore at Bancroft. After initial difficulties railings of Nchanga ore are now virtually up to the scheduled rate of 110,000 tons per month. By March 1965, Bancroft had milled 324,000 short tons of Nchanga ore from which 11,448 long tons of recoverable copper in concentrate were produced.

INDUSTRIAL RELATIONS

A number of important agreements have been negotiated with the various employee organisations during the year which have resulted in the introduction of separate expatriate and local conditions of service in the mining industry. The companies have endeavoured to follow a pattern established in other developing countries and to use as a guide the broad principles enunciated by the Hadow Commission set up by Government to report on the introduction of expatriate and local conditions of service in the public services.

The implementation of the new manning structure has resulted in increased expenditure on training. Local employees have been advanced to jobs of higher skills with no apparent loss of efficiency or deterioration in safety standards.

Relationships on the mines have continued satisfactorily despite the various changes in conditions of service and there were no serious stoppages of work during the year.

Copies of the Annual Report and Accounts are obtainable from the London Office, 40 Holborn Viaduct, E.C.1.

Cementation

SUBSTANTIALLY IMPROVED RESULTS

The forty-fifth Annual General Meeting will be held on September 15th in London. The following are extracts from the circulated statement by the Chairman, Mr H. I. Longdon.

In my statement to shareholders last year I said that the year to March 1964 must be regarded as one of consolidation, but that the state of our order book at that date provided encouragement for the future. I am pleased to be able to say that the results for the year to March 1965 justified the view that I then took and that the profit figures for the Group are almost level with the previous record. In spite of the general shortage of manpower there has been a substantial increase in turnover.

At home there has been a substantial improvement in our performance and there are two major developments which should be completed during the current financial year.

The first concerns the merger of the Civil Engineering Division of the Parent Company and The Demolition & Construction Company Limited. The process of fusing these two important units into one strong company is currently in hand and should be completed early next year. The company will be known as Cementation Construction Limited.

Secondly, during the first quarter of 1966 we shall move the Group Headquarters from 20 Albert Embankment to a fine new office block at 681 Mitcham Road, Croydon. 'Cementation House,' as it will be known, will also house a number of our subsidiary companies, including Cementation Construction Limited.

The contribution which British contractors make to export earnings is sometimes overlooked, and I want to emphasise the part which the Group is playing in the drive for increased export earnings.

For a number of years our overseas turnover has been an amount approaching one half of the Group total. Our policy remains one of working extensively abroad wherever there are opportunities for our contracting skills and for profits to be earned.

To obtain and execute contracts overseas is a challenging task which can be rewarding and is in the national interest, but there are undoubtedly problems to be faced and exporters must be given as much incentive as is feasible if our national exports are to rise to the level necessary to achieve the balance of payments position which the Government desires. It can only be described as disastrous when we find that our efforts in this direction are in fact being discouraged by action in the shape of the new tax laws initiated by this year's Finance Act.

Having made so much progress towards restoring the Company's fortunes, it is discouraging now to encounter the further obstacle presented by the new corporation tax.

The new tax will bear very heavily—and in my view very unfairly—upon the ordinary shareholders in this company, which stands at a disadvantage through its dependence upon overseas income and, unless this fact is recognised by the Government, we may well have to reconsider our exporting activities.

The Board, in recommending a dividend of 6 per cent gross on the Ordinary shares, has had to bear well in mind not only the present need to conserve funds but also the cost of future dividends under the new taxation structure.

We have now re-established your Company upon a sound basis after much effort and are determined to increase our profitability further.

It is because the Company is financially stronger today than at any time during the past few years, has a healthy order book and an enthusiastic team for its staff that I am confident of our ability to meet successfully the challenges of the future.

The full text, together with the Directors' Report and the Accounts, will be supplied upon request to the Secretary, The Cementation Co., Ltd., 20 Albert Embankment, London, SE1.

British Match

RESULTS

Group profit before taxation reached a record for the third consecutive year.

	£'000s			
	1965	1964	1963	1962
Profit before taxation	**4,739**	4,433	4,238	3,355
Profit after taxation	**2,476**	2,274	2,207	1,615
Attributable to Holding Co.	**2,018**	1,772	1,813	1,473
Ordinary dividend— per £1 stock	**2 3d.**	2 2d.	2 0d.	1 7.2d.

South Africa and Australia continued their upward trend while Brazil, after two disappointing years, made a strong recovery despite heavy exchange losses; only in Canada was there a decline. Over half the group profits are earned by overseas companies; it follows that the new corporation tax will tend to affect British Match adversely, compared with those enterprises which earn all their profits in the U.K.

RELATIONSHIP OF MATCH AND OTHER INTERESTS

There were no new acquisitions of any size, the year being devoted to the consolidation and expansion of existing interests. Activities outside the match industry now account for 45% of the group's assets, compared with 39% last year.

THE MATCH INDUSTRY

At home consumption was adversely affected by the increase in U.K. tobacco duty in April 1964, which caused a temporary recession in the demand for cigarettes. The further substantial increase in April 1965 has had a similar effect.

Sales of overseas companies were higher, mainly due to an increase in South Africa.

OTHER ACTIVITIES

Airscrew-Weyroc supplied 50% of home produced wood chipboard in 1964; although the heavy expense of running in their new plants at Hexham and Thetford made inroads into profits, both factories are now making satisfactory progress. Their fan division had a record year supplying axial flow, centrifugal and cooling tower fans for industrial applications.

Prestfibre, now renamed British Moulded Fibre Ltd., has expanded its activities in the field of wood-pulp mouldings. Our packaging companies both in the U.K. and overseas have made further progress.

Report and accounts may be obtained from British Match Corporation Ltd., Lairfield Road, London, E.3.

METAL INDUSTRIES GROUP

M GROUP

SUMMARY OF RESULTS

	1965	1964
Sales	£35,336,867	£30,492,060
Consolidated profit before tax	£2,198,542	£1,606,516
Taxation	£1,183,619	£782,960
Ordinary net dividends (15%)	£672,646	£689,533
Cash flow (retained profits plus depreciation)	£974,531	£788,910
Earnings per £1 ordinary stock (after tax)	2s. 6d.	2s. 0d.
Dividends per £1 ordinary stock (after tax)	1s. 10d	1s. 10d.
Cash flow per £1 ordinary stock	2s. 7d.	2s. 1d.
Net assets	£16,350,904	£15,788,756

Copies of the Accounts and the Chairman's Statement may be obtained from Metal Industries Limited, Brook House, Park Lane, London W.1

RoyWest

Formation of RoyWest Banking Corporation Limited, a new Bahamian incorporation with headquarters in Nassau, is announced. The main purpose of RoyWest is to make mortgage and development loans in the Bahamas and the British Caribbean territories.

Principal corporate shareholders

THE ROYAL BANK OF CANADA, Montreal
WESTMINSTER BANK LIMITED, London
MONTREAL TRUST COMPANY, Montreal
MORGAN GRENFELL & CO. LIMITED, London
THE HONGKONG AND SHANGHAI BANKING CORPORATION, Hong Kong
MORGAN GUARANTY INTERNATIONAL BANKING CORPORATION, New York
POWER CORPORATION OF CANADA LIMITED, Montreal

Authorized capital: Ten million shares £1 each
Initial paid-up capital: £6,000,000

Executive

Chairman, E. P. TAYLOR, C.M.G.
Deputy Chairman, A. F. MAYNE
Managing Director, R. A. UTTING
Vice-Chairman, J. H. GAFFNEY
Deputy Chairman, G. O. W. STEWART
Deputy Managing Director, D. J. BUNYAN

RoyWest Banking Corporation Limited
Head Office: 50, Frederick Street, Nassau, Bahamas

BROMILOW & EDWARDS LTD.

The thirtieth annual general meeting of Bromilow & Edwards Ltd. was held on August 24th in London, **The Rt Hon Lord Coleraine, PC** (the chairman), presiding.

The following is an extract from his circulated review :

The profit before tax for the year ended March 31, 1965, amounts to £701,617 (£528,356). The profit after tax is £342,886 (£246,356)

Sales and profits have been at a record level and our exports expanded equally with our home sales

The Board recommends a final dividend of 15 per cent, making a total of 25 per cent for the year (17½ per cent).

The Consolidated Balance Sheet continues to reflect a healthy position. During the year Net Current Assets have increased by £129,871 and Fixed Assets by £143,181.

Our associate company in Holland, Edbro Europa, has again increased its sales in Western Europe. The first three months of the current year show that this trend has been maintained.

Exports to Canada, Australia and other parts of the world have continued to expand. Our direct exports have increased during the year by 26.9 per cent.

Prospects : Group sales are approximately the same for the first three months, export sales being slightly up and home sales slightly down Although there has been no marked recession, it is clear that the domestic demand is not as buoyant as it was a year ago. This, I am afraid, is only to be expected in the light of prevailing conditions, political and economic.

The report was adopted.

RETAIL BUSINESS

Monthly review of consumer goods marketing and retailing

Issue 90, August 1965

features:

BISCUITS · CLOCKS

FRUIT JUICES

Year's subscription £30, single copies £5 each

THE ECONOMIST INTELLIGENCE UNIT
Spencer House 27 St James's Place London SW1
HYDe Park 6711 ext 27

60 East 42nd Street New York NY 10017
Murray Hill 7-6860

APPOINTMENTS for further announcements see pages 830 and 831

University of New England
Armidale, New South Wales

Wool Industry Research Fellowship

Applications are invited for a Research Fellowship in the Faculty of Agricultural Economics, established under a grant from the Australian Wool Board.

The successful applicant will undertake research into economic and management problems of Australian wool producers with particular reference to northern New South Wales. The programme will be carried out under the general supervision of Professor John L. Dillon, Head of the Department of Farm Management.

Conditions of Appointment

Salary will be within the range $A2,400 to $A3,170, with commencing salary determined according to qualifications and experience. Provision is made for travel and removal expenses incurred in taking up the appointment, which is tenable initially for a three-year period. The research programme proposed may afford an excellent opportunity to work towards a higher degree or to acquire post-doctoral experience.

Further information may be obtained from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close, in Australia and London, on *September 20, 1965.*

Royal College of Advanced Technology, Salford
(Proposed University of Salford)

Senior Lecturer or Lecturer in Sociology

The College invites applications for appointment to a post as Senior Lecturer or Lecturer in Sociology.

Applicants should have an Honours degree in social science, and preferably in sociology, and postgraduate research experience. The successful applicant will be required to teach sociology to full-time undergraduate students of the subject and to postgraduate students of management, or sociology.

Salary Scales:
Senior Lecturer, £1,450 p.a. x £100 - £1,650 p.a.;
Lecturer, £1,400 p.a. x £85 - £2,165 (Bar) x £85 - £2,505 p.a.
The salary will depend upon the qualification and experience of the successful applicant.

Appointment will be from January 1, 1966, or from a date to be arranged. Informal enquiries may be addressed to Professor W. M. Scott at the College.

Application forms may be obtained from the Secretary, Royal College of Advanced Technology, Salford 5, Lancs., to whom completed applications should be returned by September 10, 1965. Please quote reference MS/12.

University of Edinburgh
Department of Organisation of Industry and Commerce

Applications are invited for two posts of LECTURER or ASSISTANT LECTURER in the above Department.

Preference will be given to candidates with interests in one or more of the following fields:
OPERATIONAL RESEARCH
BUSINESS STATISTICS
DATA PROCESSING

The department is one of those specially designated by the U.G.C. and the Foundations for Management Education for the further development of advanced work in Management Studies.

Salary Scales:
Lecturer, £1,400 x £85 to £2,505;
Assistant Lecturer, £1,050 x £75 to £1,275
with placement according to qualifications and experience, and F.S.S.U. benefits.

Applications (six copies) should be lodged not later than September 30, 1965, with the undersigned, from whom further particulars can be obtained.

CHARLES R. STEWART,
Secretary to the University.

August, 1965.

University of Western Australia
Institute of Agriculture
Research Economists

Applications are invited for immediate appointment to the following research positions in the Institute of Agriculture:

1. RESEARCH ECONOMIST or SENIOR RESEARCH ECONOMIST in the John Thomson Agricultural Economics Centre: salary ranges $A2,400-$A3,170 and $A3,250-$A3,800 p.a., respectively, plus superannuation similar to F.S.S.U. Tenable for two years in the first instance with good prospects of continuation thereafter. The appointee will be required to carry out operations research in agricultural economics, interest in farm management recording, L.D.P. and computer planning is desirable.
2. RESEARCH FELLOW: salary range $A2,400-$A3,170 p.a. Tenable for two years. The appointee will be required to make an economic evaluation of farm management extension in Western Australia.
3. RESEARCH OFFICER: salary range $A1,890-$A2,200 p.a. Tenable for 18 months. The appointee will be required to estimate and compare employment multipliers in agriculture with those in other industries in Western Australia.

The commencing salary in each case will be determined in accordance with qualifications and experience. The appointee will be granted an allowance for or towards the cost of fares and removal expenses.

Intending applicants are requested to obtain details of the procedure to be followed in applying for the post and a copy of the conditions of appointment before submitting their applications. This information is available from the Association of Commonwealth Universities (Branch Office), Marlborough House, Pall Mall, London, S.W.1.

Applications close on *September 25, 1965.*

University of St Andrews

The University Court invites application for the new Chair of Psychology. The Professor will be a member of Queen's College, Dundee, in the Faculty of Social Science. Salary £4,150, F.S.S.U., grant towards expenses of furniture removal. Applications (25 copies) (one copy in the case of overseas applicants) including the names of three referees, must be lodged by September 30, 1965, with the Secretary of the University, College Gate, St. Andrews, Fife, from whom further particulars may be obtained.

The London School of Economics and Political Science

Applications are invited for appointment from October 1, 1965, as Research Assistant in the Geographical Research Division. Qualifications in economic geography essential. The appointment is expected to be for the period to July 31, 1966, at a salary at the rate of £750 per annum.

Applications, with the names of two referees, should be sent to Professor R. J. Harrison-Church, London School of Economics and Political Science, Houghton Street, London, W.C.2, by September 13, 1965.

H.M. Treasury
Deputy-Head of Information Division

Applications are invited for the post of Deputy-Head of the Information Division of the Treasury. Essential qualifications are a good understanding of economic questions, preferably to university degree standard, sound experience on press and publicity matters, and proved writing and editorial ability. DUTIES cover contact with press and public in providing factual information and developing a wider public understanding of all subjects handled by the Treasury.

Initial salary £3,134 p.a.; appointment temporary in the first instance with prospects of establishment. APPLICATIONS to The Manager (PE.4754), Ministry of Labour, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4, giving full particulars of age, experience and qualifications. CLOSING DATE September 20, 1965.

Home Office
Research Unit

Applications are invited for at least two unestablished posts of Assistant Research Officer (salary £780-£1,209). The Unit is engaged in research into delinquency and the treatment of offenders and has recently become concerned with research in the field of child care. All candidates should normally have a good honours degree or an equivalent professional qualification. Either experience in the field or knowledge of statistical techniques and research methods is of greater importance than knowledge of a more theoretical kind. Knowledge of computer programming would be of advantage for one of the posts. Candidates should normally be under the age of 28. Some account of the work of the Unit may be found in "The War Against Crime" (Cmd. 2296, H.M.S.O. 1964).

Application forms may be obtained from the Home Office Research Unit, Horseferry House, Horseferry Road, S.W.1, and should be returned as soon as possible.

University of Newcastle-upon-Tyne
Department of Agricultural Marketing

The University invites applications for the posts of either Lecturer or Research Assistant in the Department of Agricultural Marketing. Four of these posts, two of which are needed for appointments which should carry duties near the top of the Lecturer's scale, are tenable for a period of approximately three years to work in the Department's marketing research team.

Salary scale: Lecturer, £1,400 - £2,505; Research Assistant, £1,050 - £1,275. Membership of F.S.S.U. is offered.

Further particulars may be obtained from the Registrar, The University, Newcastle-upon-Tyne 2, with whom applications (three copies, together with the names and addresses of three persons to whom reference may be made, should be lodged not later than September 10, 1965.

Waltham Forest (London Borough)

South-West Essex Technical College and School of Art
Forest Road, Walthamstow, E.17.

Applications are invited for the post of: SENIOR LECTURER in MANAGEMENT STUDIES with special reference to MARKETING. Ability to teach the economic and statistical aspects of Marketing and Market Research will also be required. Applicants should be graduates and also hold suitable professional qualifications. Practical Marketing experience is essential and previous teaching experience highly desirable.

The successful applicant will be required to take up his duties as soon as possible.

The salary scale (at present under review) is £1,895 per annum rising by annual increments of £85 to £2,115, plus London Weighting Allowance of £45 or £60.

Application forms may be obtained from the Principal and should be returned within 21 days of the appearance of this advertisement.

University College of North Wales, Bangor
Department of Economics

Applications are invited for the post of TEMPORARY LECTURER or ASSISTANT LECTURER in ECONOMICS. Candidates should have special interest in Micro-Economics or Economic Statistics.

The appointment will be for a period of one or two years. The salary will be according to qualifications and experience, within the scale £1,400-£2,505 for a Lecturer and £1,050-£1,275 for an Assistant Lecturer, in addition there are F.S.S.U. benefits.

TWO copies of the application, giving the name and addresses of three referees, should be sent by September 15, 1965, to the Registrar from whom further particulars may be obtained.

G.K.N. Bolts & Nuts Ltd.,
Atlas Works,
Darlaston

have a vacancy for a

Market Research Manager

The job will consist of:

(a) the direction and control of a small team engaged on developing market and product information required by Management for the determination of market strategy; measuring marketing performance and evaluating research projects.

(b) studying information prepared and advising Management of any significant conclusions that may be drawn.

Candidates should be in possession of advanced qualifications in Economics and/or Commerce and have practical knowledge of statistics and statistical techniques together with extensive experience of market research.

Sound knowledge of the Bolt and Nut trade would be a decided advantage but not essential provided the applicant has an interest in technical products and the ability to learn the necessary technical facts quickly and thoroughly.

An attractive salary commensurate with qualifications and experience will be offered.

Applications giving details of qualifications and experience should be made in confidence to the Company Chief Personnel Manager.

The Economist

BINDING CASES

Binding cases for The Economist are available from Easibind Ltd. The cases are in stiff, dark blue cloth covers, and are gilt-lettered on the spine; they provide an extremely effective and firm binding and will hold 13 issues of the normal edition together with the quarterly Index, or 26 issues of the air edition with two quarterly Indexes. The year can be stamped on the spine. The cost per case, post free throughout the world, is 14s. Orders, stating requirements clearly and enclosing a remittance, should be sent, not to The Economist, but to—

EASIBIND LTD. (Dept. E)

Eardley House, 4 Uxbridge St., Kensington, London, W.8. PARK 0686 (3 lines)

CANADA

ECONOMIC ANALYST

Applications are invited for the position of Economic Analyst now vacant in our Montreal Head Office. This is a most attractive opportunity for a graduate economist to participate in long-range forecasting of general economic conditions and of the economic environment related to company operations and planning.

Candidates should hold an honours degree in economics, have a good knowledge of macro-economics, as well as related statistical methods and a firm background in mathematics. Preference will be given to candidates with at least three years' business experience.

Chemcel (1963) Limited is a major chemical man-made fibre and textile manufacturing concern with sales in 1965 of approximately one hundred million dollars. The company offers excellent conditions of employment, generous relocation assistance to Montreal and a starting salary fully commensurate with qualifications.

Please reply by airmail giving details of education and experience together with personal particulars. Your enquiry will be kept in confidence and will be answered. Interviews for suitable candidates will take place at London offices of The Canadian Immigration Services from September 16 to 20.

Chemcel (1963) Limited
Department A, 1155 Dorchester Blvd. W.
Montreal, Quebec, Canada.

FOR A GRADUATE IN MATHS

there can be a satisfying actuarial career with the "Old Equitable."

Excellent working conditions include five-day week, luncheon vouchers, good holidays, free pension scheme.

Write now to the Secretary, The Equitable Life Assurance Society, 19 Coleman Street, London, E.C.2, for an interview.

BANK OFFICERS

GET OUT OF THE RUT!

reer appointments overseas are available to bankers of 20 to 35 rs of age. Applicants up to age 25 should be single men and have mpleted at least Part 1 of the Institute of Bankers' Examination. Marriage is not a bar to older men, but they should have completed (or be in process of completing) Part 2 of the Institute Examination. These are career appointments with excellent prospects. The younger age group commences service in West Africa with emoluments normally in the region of £1,300 p.a. Salaries of older men are higher and will be considered at interview.

- ★ Free furnished quarters overseas
- ★ First class non-contributory Pension Scheme and retirement at age 55
- ★ Eighteen-month tours with 108 days' leave between each tour, £100 kit allowance on appointment. Free medical attention overseas (though our health record is excellent). Free travel.

Interviews arranged in London.

Write, giving full particulars, to: The Secretary,
BANK OF WEST AFRICA LIMITED,
37 Gracechurch Street, London, E.C.3.

Information Division, Board of Trade

Assistant Information Officer (Unestablished)

This officer is required for the Home Policy and Executive Section.

The post is in a small unit concerned with information policy in the United Kingdom. He requires judgment, capacity to undertake some research and to maintain a reference system, and ability to write effectively. Applicants should have a good education, preferably to degree standard, and an interest in economic and business affairs.

SALARY according to experience and qualifications on a scale rising to £1,408 p.a. (national).

There may be an opportunity for the successful candidate to become established in the A.I.O. Grade later in the year.

WRITE giving age, full details of experience and qualifications, to Manager (P.E.4707), Ministry of Labour, Professional and Executive Register, Atlantic House, Farringdon Street, London, E.C.4. Only those persons selected for interview will be advised of the result. CLOSING DATE for applications September 11, 1965.

Professional Accountants

About 40 pensionable posts in London, Birmingham, Bristol, Glasgow, Liverpool and Nottingham for accountants (men or women) with suitable professional experience who have achieved membership of Institute of Chartered Accountants in England and Wales or Institute of Chartered Accountants of Scotland, or Institute of Chartered Accountants in Ireland, or Association of Certified and Corporate Accountants. Candidates must be at least 25 and under 40, preference will be given to those under 36.

IMPROVED SALARY (Inner London): £1,229 at 25 rising, subject to efficiency, to £2,326 on the Senior Accountant scale. Good prospects of further promotion to posts carrying salaries up to £2,911 or higher.

WRITE to Secretary, Civil Service Commission, Savile Row, London, W.1, for application form quoting 390/65. Closing date September 20, 1965.

c18

-Youngman-

We are a company with its Head Office and Factory in a modern and pleasant environment at Crawley, Sussex.

Our expanding industrial activities have given rise to a number of interesting and challenging Data Processing problems which have led to the forthcoming installation of ICT 1004 equipment in November next.

To complete our 1004 team, we require

Assistant Data Processing Manager/Systems Analyst Machine Room Supervisor

(Male or Female)

to commence as soon as possible.

Previous 1004 experience, while obviously an advantage, is not regarded as essential providing candidates have had suitable experience of Computers or advanced D.P. equipment. Where necessary, 1004 Programming or Appreciation courses will be given.

Applications giving full details of experience and salary expected should be addressed to -

The Deputy Managing Director,
W. C. YOUNGMAN LIMITED,
Manor Royal, Crawley,
Sussex

Appointment of MANAGER (Administration)

at the

ELECTRICITY COUNCIL RESEARCH CENTRE (CAPENHURST), NR. CHESTER

The Electricity Council intend to establish a substantial new Research Centre at Capenhurst, Cheshire, to undertake research and development into the distribution of electricity and in appliances and methods of economic utilisation of electrical energy in all spheres of life.

The Manager (Administration) will be responsible to the Director of the Centre for accountancy, both budgetary, cost control and analysis for managerial control; purchasing and stores; personnel, including welfare, restaurants, library, technical information retrieval and reproduction; buildings and maintenance; drawing office. The successful candidate will be expected to advise, adapt and develop the most satisfactory techniques for the operation and control of these services in the environment of a Research and Development Centre.

The possession of a degree or a professional qualification is desirable and he should have successfully experimented with management techniques, preferably, but not necessarily, in research administration and have demonstrated a flexibility of outlook and be able to show initiative while working within the special circumstances of research administration.

- **The appointment initially will be within the range £2,715-£3,470 per annum. The maximum will rise to £3,590 per annum on June 1, 1966. The successful candidate may have to spend limited periods at the Council Headquarters, 30 Millbank, London, during the next few months.**

Applications giving details of age, qualifications, experience, present position and salary should be submitted to Mr K. H. Hughes, Assistant Secretary (Establishments), 30 Millbank, London, S.W.1, by not later than September 3, 1965.

Quote Ref.: E 481.

EDUCATION, BUSINESS AND PERSONAL

Home Study Courses
B.Sc. (Econ). LL.B

and other external degrees of the University of London. Also Accountancy, Secretaryship, Law, Costing, Banking, Insurance, Marketing, G.C.E., and many (non-exam.) courses in business subjects including the new Stockbrokers and Stockjobbers course.
Write today for details or advice, stating subjects in which interested, to

Metropolitan College

(Dept. G972), St. Albans,
or call at 30 Queen Victoria Street
London, E.C.4. City 6874
(Founded 1910.)

INSANITY FAIR

In 1951 War on Want was a lone voice in Britain, pointing out that gifts of soup and clothing could never end World Poverty. Our plea that 1% of National Income be given as constructive aid to developing Nations is now almost universally accepted.

The Western World has poured increasingly massive aid into these needy countries. At the same time we have ruined their economies by paying lower and lower prices for the very things we have helped them to produce.

Such measures can only perpetuate Poverty and defeat Democracy.

Our own precarious affluence is maintained at the cost of hungry children overseas.

We complain that export markets are hard to find.

We create poverty in these emerging nations by failing to provide a fair price for primary goods. A fair profit for their Primary produce would enable them to fill our order books to overflowing.

It is both ridiculous and evil to make a mockery of Democracy by giving with one hand while we rob with the other. The old Commodity Market System has failed miserably.

It has been an Insanity Fair personified.

WAR ON WANT DEMANDS

That all export marketing of Primary Produce be handled by a non-profit making **United Nations** Trust.

Many difficulties exist but they can, and must, be overcome if Mankind is to solve this greatest problem of our times—World Poverty.

Lucy Middleton,
Chairman.
Frank Harcourt-Munning,
Administrator.

The WAR ON WANT,
Campaign Against World Poverty,
London, W.5.

Tuition at Home

Wolsey Hall (Est. 1894) provides successful courses for G.C.E. (all Examining Boards), and for London University External B.Sc.Econ., B.A., B.D., B.Sc., LL.B. Degrees, also Diplomas and Certificates. 1,934 Wolsey Hall students passed B.Sc.Econ. since 1960. Tuition also for Law, Statistical, Secretarial and other Professional Exams., R.S.A., etc. Moderate fees, instalments if desired. Prospectus from E. W. Shaw Fletcher, C.B.E., LL.B., Principal, Dept. P 17.

Wolsey Hall, Oxford

SECRETARIAL TRAINING for Women, especially university graduates and older students. 6-month and intensive 14-week courses - Write Principal, Davies's, 168 Holland Park Avenue, W.11. PARk 4654

COMPUTER PROGRAMMING.– Train for a well paid post in this expanding field through ICS. For details of new home-study courses (inc. IBM 1401) write ICS (Dept. 424), Parkgate Road, London, S.W.11.

TOP PEOPLE'S SECRETARIES are well placed generally by Stella Fisher Bureau, 9 the Strand.

THE BRITISH ASSOCIATION OF ACCOUNTANTS AND AUDITORS LIMITED (Incorporated 1923). The next Examinations will be held from November 23 to 26, 1965. Membership can only be obtained by those who have passed the prescribed examinations. Copies of the Syllabus are obtainable from the Secretary, Stamford House, 2-4 Chiswick High Road, London, W.4.

Banking Diploma. Model Answers: Banking Practice, Accountancy, etc.
Wick, B.Sc.Econ.(Lond.), A.I.B.,
192 Ladbroke Grove, London, W.10.

A BRITISH COMPANY opening branch office in Milan, Italy, for exclusive promotion of British products will take up sole agencies and representations of British manufacturers and exporters. Please write head office: 231 Sydenham Road, Croydon, Surrey.

The Incomtec Management Development Group
Sept. 1965—May 1966

Offering men of general management potential the opportunity of studying new ideas in unfamiliar functional areas. Ten two-day seminars at monthly intervals in central London. First seminar, "Measurement for Management," September 16th and 17th, by Dr. R. W. Revans.

Syllabus and Registration Information
from:

Industrial and Commercial Techniques Ltd.,
30 Fleet Street, London, E.C.4.
Tel.: LUD 7757.

APPOINTMENT WANTED

Teaching Economics

Continental economist with ample research and teaching experience at university level should like to teach abroad, especially in a so-called underdeveloped country. Subject: general economic theory and/or labour economics in the English language.
In so far as developing countries are concerned, my government would be prepared to bear the cost of my salary and travelling cost involved.
Letters to the Economist, Box 1962.

MORTGAGE LOANS

CITY OF CHESTER
ONE YEAR BONDS
£500 to £3,000 **6¾%** over £3,000 **6⅞%**
MORTGAGE LOANS
2-5 years Minimum £200 **6½%**
Apply: City Treasurer, 43 Northgate Street, Chester. Tel.: 20432. Ext. 23.

Cambio + Valorenbank Zurich

Phone 47.54.04 **Telex 52.642**

Tokyo correspondent:

Marusan Securities Co Ltd Tokyo

TOKYO MARKET LETTER ON REQUEST

A STORY OF COURAGE

Once upon a time there were 254 strong, healthy men and women like you. They had jobs to go to, families to enjoy, homes of their own to make. They had never met but they shared one thing in common. Each in turn was to be struck down by an incurable disease of the limbs.

First their limbs were to be robbed of their ability to work. Then gradually the limited movement required for leisure was to be denied them. Finally, incapacity was to force them to exchange their home surroundings for a life in hospital.

Those 254 men and women are our patients. First rate medical care and nursing we know we can give them. But to create a new *home* for them, as we try to do, would be impossible were it not for the incredible courage and cheerfulness of the patients themselves. They help us to find for them a new definition of happiness.

THE ROYAL HOSPITAL AND HOME FOR INCURABLES
119P, West Hill, London, S.W.15.

Please help us.
We depend on voluntary contributions

INTERNATIONAL FILM TV-FILM AND DOCUMENTARY MARKET

14-23 OCTOBER 1965 **2 GRAND PRIX AWARDS FOR TV-FILMS**

MIFED — the International Film, TVfilm and Documentary Market — is holding its Twelfth Cine-Meeting from 14 to 23 October next. Representatives of the Cinema Industry and other interested persons are cordially invited to attend. During this event the first presentation of the "TV Pearl" will be made in two Grand Prix Awards for the best feature or serialized film and the best short film produced for TV transmission in 1964-65.
In addition to various displays of technical interest, the October Cine-Meeting is also sponsoring EXCOT: the Congress and Exhibition on World Progress in Electronics for the Cinema, TV and Associated Industries.

MIFED

Information from: MIFED
Largo Domodossola 1
Milano (Italy)
Telegrams: MIFED - Milano

European Economic Community Publications

The Economic Situation in the Community
No. 1 (March 1965) of a quarterly which surveys the overall situation, and analyses the evolution in each of the six Community countries.
15s. (15s. 9d.) Annual subscription £2 10s.

Results of the Business Survey carried out among Heads of Enterprises in the Community
Survey of industry as a whole and production of consumer, capital and intermediate goods. **5s.** (5s. 6d.) monthly. Annual subscription 14s. 3d.

Investment in the Community Coalmining and Iron and Steel Industries
Report on the 1965 survey of the Community's past and planned investments. **14s. 6d.** (15s. 4d.)

Basic Statistics of the Community 1964
Covers a wide range of subjects including population, labour force, industry, etc. **7s. 6d.** (8s. 1d.)

Graphs and Notes on the Economic Situation in the Community
Clear, coloured graphs with comments about the trends in the various economic sectors. **3s. 6d.** (3s. 11d.) monthly Annual subscription £1 16s.

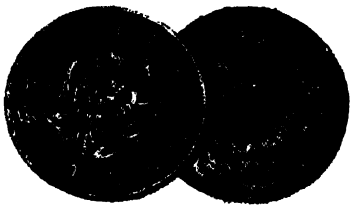
Bulletin of the European Economic Community
Explains the Community's activities and problems to the uninitiated reader. **3s.** (3s. 5d.) monthly. Annual subscription £1 9s.

Prices in brackets include postage. Subscription rates include postage.

HMSO

The publications can be purchased from the Government Bookshops in London (post orders to PO Box 569, S.E.1.), Edinburgh, Cardiff, Belfast, Manchester, Birmingham and Bristol, or through any bookseller.

In 1873 this silver coin was minted



In the year the Dai-Ichi Bank was founded. With its history of over 90 years it's easy to see how the Dai-Ichi Bank has earned the reputation of Japan's first bank... first in experience, first in reliability! The Dai-Ichi Bank has grown with Japan and Japanese industry has grown with Dai-Ichi.
Dai-Ichi... a vital part of the vital progress of Japan.

EST. 1873

THE DAI-ICHI BANK, LTD.

HEAD OFFICE: Marunouchi, Chiyoda-ku, Tokyo
CABLES: "FIRSTBANK"
Branch network throughout Japan
NEW YORK AGENCY: 420 Broadway, New York 5, N.Y.
LONDON BRANCH: Winchester House, London Wall, London, E.C. 2.
CHICAGO CORRESPONDENT OFFICE: 38 South Dearborn St., Chicago 3, Ill.
ASSOCIATED BANK: Chekiang First Bank Ltd., Hong Kong

The HALIFAX for strength and security

ASSETS £833,000,000 RESERVES £29,320,000

Shares and Deposits in the Society are Trustee Investments

HALIFAX BUILDING SOCIETY

Member of the Building Societies Association

Head Office: **Halifax, Yorkshire** • *London Offices:* **51 Strand, W.C.2**
9 Holles Street, Cavendish Square, W.1 • 62 Moorgate, E.C.2
136 Kensington High Street, W.8

Registered at a Newspaper. Authorised as Second Class Mail. Post Office Dept., Ottawa. Printed in England by St. Clements Press Ltd. London, E.C.4. Published by The Economist Newspaper Ltd., at 25 St. James's Street, London, S.W.1. Telephone: Whitehall 5455. Postage on this issue: UK 7d., Overseas 6½d.

STOCK PRICES AND YIELDS

LONDON STOCK EXCHANGE INDICES

THE ECONOMIST-EXTEL INDICATOR (1953=100)				FINANCIAL TIMES (1935=100)		F.T.-ACTUARIES INDICES (April 10, 1962=100)			Bargains Marked
1965	Noon	Close	Yield %	Ord. Index	Yield %	500 Shares	Yield %	2½% Consols Yield	
Aug. 18	376·6	375·6	5·73	326·6	6·02	102·41	5·82	6·44	8,927
" 19	372·5	370·0	5·82	319·3	6·16	100·94	5·90	6·42	9,706
" 20	367·7	367·5	5·86	318·4	6·17	100·30	5·94	6·42	8,834
" 23	367·0	367·9	5·86	318·5	6·17	99·93	5·96	6·42	8,868
" 24	366·2	366·9	5·87	317·8	6·18	99·82	5·97	6·44	8,318
" 25	368·5	369·1	5·84	319·1	6·16	100·18	5·96	6·44	7,686
High, 405·2 (May 14)				High, 359·1 (May 3)		High, 111·39 (February 18)			
Low, 361·1 (July 5)				Low, 313·8 (July 29)		Low, 99·07 (July 29)			

Prices, 1965 High	Low	BRITISH FUNDS DOMINION AND CORPORATION STOCKS	Price, Aug. 18, 1965	Price, Aug. 25, 1965	Net Red. Yield, Aug. 25, 1965§ £ s. d.	Gross Red. Yield, Aug. 25, 1965 £ s. d.
93 9/32	90⅞	Savings Bonds 2½% 1964–67	93⅛	93¼	4 8 10	6 16 4
84 9/16	82⅞	Savings Bonds 3%.....1960–70	83¼*	83¾*	4 10 10	6 17 7
79 9/16	76¾	British Electric 3%.....1968–73	78⅞	77 12/16*	4 9 5	6 14 8
75	71½	Savings Bonds 3%.....1965–75	72¾	72⅞	4 10 6	6 16 1
73¾	70¼	British Electric 3½%.....1976–79	72⅛	72¼	4 6 7	6 13 1
61¼	56½	British Transport 3%.....1978–88	58¾	58⅞	4 6 1	6 10 7
92	88¼	Funding 4%.....1960–90	91⅞	92	3 9 5	5 5 9
58⅞	53⅜	British Gas 3%.....1990–95	55 1/16	55 13/16	4 3 7	6 8 6
88½	81⅛	Treasury 5½%.....2008–12	83⅛*	83¼*	3 19 10	6 13 1
55 5/16	51¼	War Loan 3½%.....after 1952	53½	53⅜	3 17 9	6 13 3
40 3/16	37	Consols 2½%.....	39	39	3 15 9	6 9 5
87½	85⅝	Australia 3¼%.....1965–69	86¾	86⅞	...	7 1 0
89¾	87¼	Birmingham 4¼%.....1967–70	88	88	...	7 2 0
104¼	99½	LCC 6¾%.....1974	100⅜	100⅝	...	6 14 0
98¼	94½	Australia 6%.....1974–76	95¾	95¾	...	6 15 0
102⅛	97⅝	Bristol 6½%.....1975–77	98⅞	99	...	6 12 6
98¾	92½	New Zealand 6%.....1976–80	94½	94½	...	6 10 6
83	80	Northern Rhodesia 6%.....1978–81	80	80	...	8 3 6
108⅝	98¾	LCC 6¼%.....1988–90	101¼	101⅜	...	6 13 0
56	53½	Southern Rhodesia 4½%.....1987–92	56	56½	...	8 14 0
53¼	42½	LCC 3%.....after 1920	44	44	...	6 14 6

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, Aug. 18, 1965	Price, Aug. 25, 1965	Yield, Aug. 25, 1965 % ‡‡	Cover % ¶
			BANKS, DISCOUNT & HP					
	52/3	6½ a	Barclays.....£1	56/–	59/9	57/6	4·0	...
	39/3	5 a	Lloyds.....£1	41/6	44/9	43/–	4·4	...
4½	16/–	7½ a	Martins.....5/–	17/7½	18/–	17/7½	4·3	...
–	50/9	6½ a	Midland.....£1	54/6	55/–	54/–	4·4	...
3	62/6	8 a	Nat. Provincial.....£1	66/6	69/3	67/6	4·7	...
/9	47/6	6½ a	Westminster 'B'.....£1	54/9	60/–	58/3	4·5	...
/–	39/3	8 b	Australia & N. Z.....£1	44/6	44/3	43/–	5·6	...
/3	28/6	3½ d	BOLSA.....£1	33/3	31/6	29/–	6·6	...
5 5/16	£21 13/16	$2·20c	Bank of Montreal.....$10	£23 11/16	£23⅞	£23 1/16	3·2	...
5/3	43/3	5‡‡c	Bank of New S. Wales.£1	48/3	47/–	48/–	3·3	...
/9	37/–	5½ a	Barclays DCO.....£1	39/3	38/9	38/6	5·7	...
/6	41/6	7½ b	Chartered.....£1	46/6‖	46/6	46/–	6·5	...
8	£8⅛	6/6b	Hongk'g. & Shang. ..$25	£9⅛	£8⅜	£8⅝	5·2	...
8¼	24/6	5 a	Nat. Com. Bk. Scot..10/–	27/6	25/9	25/6	4·7	...
8	£26½	$2·60c	Royal Bk. Canada.....$10	£28¾	£28⅛	£28⅛	3·1	...
0/–	51/9	10 b	Standard Bank.....£1	57/9	56/3	55/6	6·3	...
49/7½	23/3	16½ b	Hambros.....5/–	27/–	25/10½	25/6	4·7	...
14/8¼	10/1½	4 a	Hill, Samuel.....5/–	12/7½	11/1½	10/7½	4·7	...
31/3	26/6	24 c	Montagu Trust.....5/–	31/6	29/6	29/6	4·1	...
59/–	47/–	3½ a	Schroders.....£1	59/–	56/6	53/–	3·6	...
50/–	42/3	6¼ a	Union Discount.....£1	45/9	47/6	48/–	5·2	...
11/1½	8/9	4 a	Bowmaker.....5/–	10/–	10/–	9/7½	7·8	1·4
18/–	13/–	5 a	Lombard Banking.....5/–	16/–	13/6	13/3	7·5	...
15/3	13/6	7½ a	Mercantile Credit.....5/–	14/6	14/3	14/1½	7·1	1·7
17/6	14/6	14 b	United Domins. Tst...5/–	17/3	16/–*	16/1½	6·2	1·4
			BREWERIES, Etc.					
14/7½	11/9	5 a	Allied Breweries.....5/–	12/4½	12/3	12/–	6·0	1·5
18/4½	13/7½	4 a	Bass, Mitchells & B....5/–	15/3	14/9	14/4½	5·6	1·8
15/1½	12/–	5 a	Charrington United..5/–	13/4½*	12/9	12/1½	6·2	1·7
25/6	20/–	7½ b	Distillers.....10/–	22/9	24/1½*	23/6	5·3	1·9
22/–	18/–	8 a	Guinness.....5/–	28/3	19/–	18/–	5·8	1·7
20/6	13/9¼	11½ b	Harveys.....5/–	15/3	17/–	17/2½	4·8	2·0
68/6	50/3	8 b	Scottish & Newc. Brew.£1	60/6	51/6	50/3	5·6	1·5
17/7½	13/4½	4½ a	Watney Mann.....5/–	14/9	14/9	14/1½	5·7	1·9
16/7½	13/–	9 b	Whitbread 'A'.....5/–	14/–*	14/4½	14/–	7·1	1·8
			BUILDING, PAINT, Etc.					
59/7½	47/3	6½ b	Associated Portland...£1	56/6	48/9	48/3	4·1	2·4
27/9	19/4½	6½ b	BPB Industries.....10/–	25/9	20/9	21/6	5·1	2·0
26/3	18/10½	12 b	Richard Costain.....5/–	24/6	20/10½	20/7½	4·9	3·4
10/9	7/2¼	8½ b	Crittall Hope.....5/–	8/7½	7/5¼	7/5¼	8·1	1·9
16/3	12/3	17 b	International Paints..4/–	14/10½	12/9	13/4½	7·5	1·7
25/6	18/6	5 a	London Brick.....5/–	23/3	20/–	20/–	5·0	2·2
27/3	20/–	10 b	Rugby Portland.....5/–	26/11½	20/7½	20/6	3·7	3·1
			CHEMICAL					
24/6	20/3	8 a	Albright & Wilson...5/–	23/3	22/–	20/6	5·1	1·8
19/9	16/10½	5 a	Borax Defd.....5/–	19/4½	19/1½	17/10½	4·5	2·3
56/–	49/–	5 a	Fisons.....£1	53/6	53/6	52/–	4·6	1·7
19/1½	42/4½	7½ b	ICI.....£1	45/3	44/7½	43/3	5·8	1·3
6/3	12/10½	5 a	Monsanto.....5/–	13/6	14/–	14/4½	4·8	1·3
			DRAPERY & STORES					
17/7½	14/6	8 b	Boots Pure Drug.....5/–	16/–	15/10½	15/4½	3·9	2·3
26/6	19/9	2 a	Montague Burton.....10/–	25/6	23/–	21/9	3·7	1·6
38/3	30/4½	6¼ a	Debenhams.....10/–	33/3*	31/9	31/1½	7·8	1·5
37/6¾	32/8¼	21¼ b	Grattan Warehouse..5/–	35/6*	35/3	34/–	4·5	1·7
45/6	38/7½	25 b	GUS 'A'.....5/–	43/–	42/7½	41/10½	4·2	2·1

Prices, 1965 High	Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, Apr. 6, 1965	Price, Aug. 18, 1965	Price, Aug. 25, 1965	Yield, Aug. 25, 1965 % ‡‡	Cover
25/3	19/7½	18½ b	House of Fraser.....5/–	23/9	20/4½	19/10½	8·2	1·3
13/4½	10/1½	7 a	Lewis's Invest. Tst.....4/–	12/1½*	10/4½	11/0½	5·4	1·8
35/6	31/10½	20 b	Marks & Spencer 'A'.5/–	34/6	32/10½	31/10½	4·5	1·4
30/6	26/6	6 a	United Drapery.....5/–	28/3	27/4½*	26/6	4·9	1·8
23/3	18/–	9½ a	Woolworth.....5/–	19/7½	19/6	18/10½	5·3	1·4
			OIL					
54/9	44/–	†8½ b	British Petroleum.....£1	51/3*	52/3	50/10½	7·8	2·6
51/9	44/3	†8½ b	Burmah Oil.....£1	49/3	49/10½	49/10½	8·8	1·1
£17 13/16	£14¾	18·3b	Royal Dutch.....20 fl.	£15⅞	£15⅞	£15 5/16	3·8	2·1
36/4½	29/1½	†18½ b	Shell Transport.....5/–	32/10½	30/–	30/3	8·4	2·0
30/3	21/9	...	Ultramar.....10/–	28/4½	23/–	22/6	...	...
			ELECTRICAL & RADIO					
53/3	38/–	8¼ b	AEI.....£1	46/–	45/6	44/6	5·4	1·5
76/1½	61/7½	10 b	BICC.....£1	69/7½*	66/7½	66/–	(4·9)	2·0
12/7½	9/6¾	4·4 a	Crompton Parkinson.5/–	13/9¾	10/7½	10/5¼	4·7	2·2
75/–	60/–	10 a	Decca.....10/–	70/6	63/–	60/–	4·6	1·8
27/9	21/4½	5 a	EMI.....10/–	26/9	23/6	22/9	8·5	2·3
18/6	11/7½	6½ b	Elliott-Automation...5/–	15/9	13/–	12/3	4·3	1·8
55/3	42/3	4 a	English Electric.....£1	47/7½	49/–*	48/–*	5·0	1·9
46/9	37/–	3 a	General Electric.....£1	39/10½	38/6	38/6	4·4	2·7
63/9	44/–	8½ b	C. A. Parsons.....£1	53/9	54/9	54/3	4·6	1·2
132/1½	101/3	10 b	Philips Lamp Works.10 fl.	128/6	107/3	106/6	3·0	2·3
38/7½	29/3	7 a	Plessey.....10/–	34/4½	32/1½	30/10½	3·9	2·5
18/7½	12/6	20 c	Pye (Cambridge).....5/–	16/–	14/8¼	14/–	7·1	2·0
42/3	33/–	20 a	Radio Rentals.....5/–	40/7½	35/3¾	34/6¾	5·8	2·5
61/3	44/–	7½ b	A. Reyrolle.....£1	50/–	52/9	52/3	3·8	3·1
76/–	52/3	15 b	Thorn Electrical.....5/–	65/6	54/6	52/9	2·8	4·5
			ENGINEERING					
39/9	30/9	5½ b	Babcock & Wilcox.....£1	34/3	34/1½	32/9	6·1	1·4
40/6	33/–	7 b	John Brown.....£1	37/10½	36/6*	36/–*	6·1	2·1
9/–	6/7½	8 b	Cammell Laird.....5/–	8/3¾	7/7½	7/1½	8·4	0·4
14/–	11/4½	5 a	Internat. Combust.....5/–	27/3	12/8¼	12/6¼	6·0	1·2
26/3	20/4½	7½ b	Swan Hunter.....£1	23/6	21/9	21/3	9·4	0·6
8/6¾	5/9	9¾ b	John Thompson.....5/–	8/3¾	5/9	5/9¾	7·5	0·6
35/6	26/4½	†3¾ a	Coventry Gauge.....10/–	32/–	27/1½	27/3	6·2	1·9
56/6	42/–	†2 a	Alfred Herbert.....£1	53/1½	47/6	47/–	5·8	1·6
27/6	21/7½	12 b	Acrow (Eng.) 'A'.....5/–	26/6	24/4½	23/3	5·3	1·6
25/6	17/6	17½ b	Allied Ironfounders..5/–	24/3	20/1½	18/8¼	6·7	1·8
23/9	19/9¾	17½ b	Averys.....5/–	22/6	21/9	22/3	5·1	1·7
24/10½	18/3¾	5 a	BSA.....10/–	20/8¼*	22/4½	21/4½	(5·6)	2·0
12/–	9/6	8 b	George Cohen.....5/–	10/–	10/8¼	10/5¼	5·7	2·2
15/7½	11/–	6 b	Davy-Ashmore.....5/–	12/10½	12/3	11/3	4·9	...
56/3	45/9	5 a	Guest, Keen.....£1	48/–	45/9	45/–	6·2	2·0
19/6	12/3	12 b	Hand Wrightson.....5/–	19/–	12/6	12/6	6·4	1·3
58/3	48/9	7½ b	Metal Box.....£1	55/1½	52/1½	51/4½	4·9	1·7
17/8¼	14/–	6 a	Ransome & Marles...5/–	16/4½	14/–	14/–	6·1	2·1
40/10½	34/1½	5 b	Renold Chains.....£1	38/9	38/9	38/–	5·0	1·9
72/9	58/3	7½ a	Tube Investments.....£1	59/–*	59/3	58/6	5·1	1·9
28/3	20/9	7½ b	Vickers.....£1	23/6	22/10½	22/6	8·9	0·5
48/6	38/6	9¼ b	Ward (Thos. W.).....£1	42/9	41/–	41/–	8·5	1·9
14/9	10/4½	8 b	Wellman Smith Owen 5/–	11/9	11/–*	11/–*	6·8	1·0
18/6	14/3	16 b	Woodall-Duckham...5/–	15/6	17/6	17/–	6·2	1·3
			FOOD & TOBACCO					
33/3	28/–	16 a	Allied Suppliers.....10/–	28/6	32/1½	31/6	5·1	2·1
7/9	6/10½	15 b	Assoc. British Foods..1/–	7/7½	7/1½	7/–	4·4	2·0
40/–	32/4½	8 b	Beyril.....£1	36/3	35/6	35/–	6·9	2·2
12/4½	10/6	†2½ a	Brooke Bond 'B'.....5/–	11/7½	11/1½	11/–	5·8	2·8
8/7½	7/3	8 b	Fitch Lovell.....2/6	7/7½	8/–	7/10½	4·8	2·4
10/7½	8/10½	9½ b	International Stores..5/–	9/3	10/4½	10/1½	5·4	1·5
59/6	50/6	10 b	J. Lyons 'A'.....£1	52/–‖	52/1½	50/9	5·3	1·6
33/10½	26/–	5½ a	Rank Hovis.....10/–	29/9	27/–	26/3	6·1	1·9
32/1½	26/–	7 b	Reckitt & Colman..10/–	28/3	28/6	27/3	5·1	2·2
15/9	12/6	5 a	Spillers.....5/–	15/4½	13/7½	13/3	4·9	2·3
38/3	28/9	2 a	Tate & Lyle.....£1	31/–	32/6	30/9	6·5	2·0
8/9	6/3	18 b	Tesco Stores.....1/–	7/5¼	8/6	8/3	3·6	2·4

FOREIGN AND OVERSEAS STOCKS

	Aug. 18 Frcs.	Aug. 25 Frcs.		Aug. 18 %	Aug. 25 %		Aug. 18 %	Aug. 25 %
FRANCE			**GERMANY**			**HOLLAND**		
Air Liquide	582	582	A.E.G.	445	448	A.K.U.	452	449½
Banque de Paris	286	296	Bad'che. Anilin.	460	457	Amster. Rot. Bk.	Fl. 59·4	Fl. 58·1
Citroen	163·5	166·5	Bayer	400	391½	Bijenkorf	640	600
C. F. Petrole	168	166·5	Commerzbank	405	401	Heineken	484	479
Cie G. d'Elect.	546	525	Deutsche Bank	428	415	Internie (Fl.50)	Fl. 190	Fl. 189
Machines Bull	91·5	94	Hoechst Farb.	514½	513	K. N. Hoogoven	508	498
Pechiney	195	196	Kundenkredit	329	336	Kon. Zout-Ket.	875	855
Printemps	201	212·5	Loewenbrau	1,010	1,010	Philips (Fl.25)	Fl. 119·9	Fl. 118·5
Rhone-Poulenc	275	278	Mannesmann	198	187½	Robeco (Fl.50)	Fl. 223	Fl. 222·0
S.L.M.	311·5	310	Siemens	507	508	Thomassen & D.	515	505
Saint-Gobain	214	216·5	Thyssen-Huette	185	183	Valeurop	Fl. 65·2	Fl. 65·0
Usinor	100	104	Volkswagen	510	505½	Zwanenbg (Fl.20)	Fl. 180	Fl. 179·8
Index	90·1	91·5	Hirstatt Index	96·28	95·09	Index	335·6	332·8
High	101·4	(31.3.65)	High	105·22	(8.1.65)	High	370·9	(2.3.65)
Low	84·8	(20.7.65)	Low	89·09	(29.6.65)	Low	320·2	(29.6.65)
	Dec. 31, 1964=100.			Dec. 31, 1959=100.			1953=100.	
ITALY	Lire	Lire	**BELGIUM**	Frcs.	Frcs.	**SWEDEN**	Kr.	Kr.
Ass. Generali	89,300	91,400	Arbed	4,600	4,575	Alfa Laval B.	375	375
Breda	3,300	3,298	Bque. Soc. Gen.	4,265	4,300	Asea	585	463
Edison	2,136	2,149	Ciment'lesBriq.	3,065	3,085	Elektrolux	217	214
Fiat	2,024	2,050	Cockerill-Ougr.	1,776	1,780	Ericsson B. Kr.50	274	261
Finsider	862	873	Esperance Long	2,510	2,510	Grangesberg	344	341
La Centrale	9,575	9,650	Hoboken	5,550	5,490	Svand. Banken	165	163
Montecatini	1,525	1,561	Innovation	3,830	3,805	Sv. Cellulosa	216	216
Motes	12,350	12,275	Petrofina	1,924	1,924	Sv. Handelsbank	189	188
Olivetti	1,825	1,850	Photo Gavaert	2,350	2,300	Tandstk. B. Kr.50	170	166
Pirelli S.p.A.	2,943	2,960	Soc. Generale	15,775	16,000	Index	267·30	264·41
Rinascente	246	250	Solvay	9,610	9,640	High	267·70	(18.8.65)
Snia Viscosa	4,218	4,240	Un. Miniere 1/10	850	840	Low	238·72	(23.4.65)
Index	26·12	56·80	Index	129·40	129·27		Dec. 29, 1956=100.	
High	64·59	(18.3.65)	High	135·46	(8.1.65)	**NORWAY**	%	%
Low	49·53	(14.1.65)	Low	124·70	(8.7.65)	Bergens Priv'bk.	175¼	177½
	Jan. 2, 1962=100.			Dec. 31, 1953=100.		Borregaard	188	181¼
						Norsk Hydro	238¾	238¾

Ex dividend. † Tax free. § The net redemption yields allow for tax at 8s 3d. in £. ‖ Ex capitalisation. ¶ Ex rights. ‡‡ Equivalent to 8·0 sterling. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (e) To earliest date. (f) Flat yield. (g) Ex all. (h) After Zambian tax. (i) To latest date. (n) Interim since reduced or passed. (p) Resulting from split of Federation of Rhodesia and Nyasaland Stock. Japanese prices supplied by Daiwa Securities, Tokyo. Canadian 65 Stock Industrial Index supplied by the Montreal Stock Exchange. **Yields in brackets are on forecast dividend.

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, Aug. 18, 1965	Price, Aug. 25, 1965	Yield, Aug. 25, 1965 %	Cover times
13/10½	12/-	9 b	Unigate 5/-	13/-	12/4½*	12/-	5·8	1·7
56/3	44/9	†17½ a	Brit. Amer. Tobac. ..10/-	48/-	55/-	55/-	6·7	2·4
26/4½	21/-	14 b	Gallaher 10/-	22/9	24/9	24/3	7·6	2·1
57/3	47/-	7½ a	Imperial Tobacco £1	49/3	54/3	53/3	7·5	1·6
			INSURANCE					
6¼	5¼	43½ a	Britannic 5/-	5½	6⅜	6⅛	4·4	..
47/3	36/3	25 b	Commercial Union ..5/-	42/3	46/3	45/3	5·0	..
5¼	4⅛	†40 c	Equity & Law Life ..5/-	4½	5¼	5 1/16	3·4	..
50/-	40/3	25 b	General Accident ...5/-	49/9	49/3	47/9	3·9	...
34/6	27/3	15 b	Guardian 5/-	29/9	34/3	33/3	4·0	..
9¾	8¼	50 b	Legal & General ...5/-	9	9½	9 1/16	2·7	..
126/3	97/6	13 b	Northern & Empl. ..£1	121/3	126/3	117/6	4·1	..
49/3	37/-	†110 b	Pearl 5/-	10½	47/3	47/3	4·7	...
35/-	28/3	†47·9 b	Prudential 'A' 1/-	29/6	34/9	35/-	3·9	...
40/3	30/9	20 b	Royal 5/-	36/3*	37/3	36/9	4·8	...
79/3	62/3	11¼ b	Royal Exchange £1	73/3	78/9	77/9	4·8	..
			MOTORS & AIRCRAFT					
15/11½	12/3	5 a	Birfield 5/-	15/-	13/-	12/3	4·1	1·9
15/11½	11/3¾	7½ a	British Motor 5/-	14/8¼	11/6¾	11/6	8·7	1·7
33/11½	25/-	15 c	Jaguar Cars 'A' 5/-	30/-	27/7½	26/3	2·9	6·8
9/2¼	6/4½	4 c	Rootes Motors 'A' ...4/-	7/1½	7/6¾	7/1½	2·2	3·1
58/-	47/-	2½ a	Leyland Motors £1	53/6	50/9	49/-	4·5	2·3
18/-	14/6	8½ b	Bristol Aeroplane ..10/-	15/10½	16/-	16/-	8·4	2·0
35/3	27/10½	7 b	Hawker Siddeley £1	29/10½	33/-	32/3	7·4	1·7
40/3	31/3¾	7½ b	Rolls-Royce £1	35/10½	36/-	36/-	5·6	1·9
20/4½	15/3¾	†3¼ b	Dowty Group 10/-	17/10½	16/-	15/4½	5·8	2·0
31/6	25/11½	10·8 b	Dunlop Rubber 10/-	29/4½	27/11½	26/-	6·1	1·8
35/9	29/6	2½ a	Joseph Lucas £1	32/9*	30/9	31/-	5·4	2·4
30/4½	23/4½	5⅜ b	Triplex Holdings ...10/-	24/10½	23/8¼	23/4½	(5·3)	..
			PAPER & NEWSPAPERS					
46/6	37/6	20 b	Financial News 5/-	44/9	40/6	39/6	3·2	2·9
67/-	57/6	30 b	Financial Times 5/-	66/9	60/-	59/-	3·2	2·7
18/3	15/7½	14 b	Internat. Publishing ..5/-	15/9	16/1½	15/10½	6·3	1·8
31/6	22/11½	7 a	News of the World ..5/-	27/3	22/7½	22/1½	6·8	1·7
56/6	48/6	8½ b	W. H. Smith & Son 'A' .£1	53/-	50/6	48/6	5·2	2·0
21/9	17/9	18 b	Thomson Org'n. 5/-	20/3*	20/1½	19/7½	7·1	1·4
48/-	38/7½	20 a	Bowater Paper £1	45/9	46/1½	46/-*	6·0	1·8
21/9	17/1½	10 a	British Printing 5/-	19/3	18/1½	17/9	6·3	1·8
30/-	24/-	17½ c	Bunzl Pulp 5/-	27/9	29/-	28/6	3·1	4·5
57/6	47/-	12 b	Reed Paper £1	50/9	53/3	52/10½	6·4	1·5
50/1½	44/3	10 b	Wiggins Teape £1	46/9	46/-	45/6	6·2	1·9
			STEEL					
42/3	25/10½	6 a	Colvilles £1	28/6	33/-	31/6	10·2	1·4
29/-	23/4½	4 a	Dorman Long £1	25/3	26/-	24/9	11·3	1·2
31/-	19/-	2 a	Lancashire Steel £1	19/3	21/-	20/1½	(n)	0·9
24/-	16/6	4 a	South Durham £1	18/-	20/6	20/7½	11·6	1·3
28/6	17/7½	3⅜ a	Steel Co. of Wales £1	19/-	22/3	21/-	9·5	...
36/3	30/-	5 a	Stewarts & Lloyds £1	32/3	33/6	31/9	11·0	1·6
35/3	27/3	6 a	John Summers £1	30/3	32/6	30/6	10·5	1·7
36/6	27/-	6 a	United Steel £1	29/3	30/-	28/3	10·6	1·1
			MISCELLANEOUS					
26/4½	23/-	20 b	Assoc. British Picture .5/-	23/10½	25/10½	24/9	6·1	2·9
14/11¼	12/10½	12½ b	Assoc. Television 'A' .5/-	14/2¼	13/3	12/10½	8·7	2·0
30/3	27/11½	6½ b	Wm. Baird £1	29/11½	29/6	28/6	6·7	2·4
22/3	19/-	11 b	Beecham Group 5/-	19/10½	22/11½	21/4½	4·7	2·0
19/3	16/9	†6⅔ b	Bookers 10/-	19/-	19/3	18/9	9·1	2·1
44/-	34/7½	7·92 b	British Match £1	41/1½	35/10½	34/7½	6·5	1·9
10/3	8/6¾	3 a	British Oxygen 5/-	9/1½	9/-	9/1½	5·5	1·6
12/9	9/4½	11 b	British Ropes 5/-	11/-	11/4½	11/1½	6·3	1·8
13/3	9/4½	37½ b	Butlin's 1/-	10/9	9/9	9/4½	5·9	1·2
31/9	21/1½	10 b	De La Rue 10/-	27/6	25/3	24/1½	6·2	1·7
19/-	13/10½	12 c	Drages 5/-	16/10½	14/9	14/-	4·3	2·9
25/9	19/6	4 b	Gestetner 'A' 5/-	25/3	23/6	22/-	3·6	2·7
32/9	29/3	6 a	Glaxo 10/-	31/3*	32/9	31/9	4·3	2·3
46/9	38/9	3 a	Harrisons & Cr. Defd. .£1	42/3*	44/6	44/-	6·8	2·0

Prices, 1965 High	Prices, 1965 Low	Last Dividend (a) (b) (c) %	ORDINARY STOCKS	Price, April 6, 1965	Price, Aug. 18, 1965	Price, Aug. 25, 1965	Yield, Aug. 25, 1965 %
48/4½	38/9	15 a	Hoover 'A' 5/-	45/3	40/3	39/-	7·7
102/6	85/6	13·27b	Hudson's Bay £1	92/3	96/3	96/3	4·2
48/4½	30/-	4¼ a	ICT £1	44/3	31/3	31/-	7·3
20/3	16/-	12 b	Mecca 'A' 5/-	17/-	17/10½	17/9	6·4
35/-	27/-	12½ c	National Canning £1	29/1½	31/-	29/9	8·4
16/6	12/3	.	Pillar Hldg. 2/-	14/10½	13/4½	13/1½	4·6
21/3	16/-	8 b	Powell Duffryn 10/-	19/4½	20/9	20/-	5·5
31/3	21/11½	8 a	Rank Organisation ..5/-	24/6	23/9	23/9	(4·4)
13/11½	11/7½	9½ b	Schweppes 5/-	12/-	12/7½	12/3	5·5
21/6	18/3	25 c	Sears 'A' 5/-	19/6¾*	21/3¾	20/9¾	6·0
18/-	15/1½	11·2b	Steetley 5/-	20/1½	16/-	15/3	5·0
25/4½	21/11½	18½ b	Thomas Tilling 4/-	23/6*	22/1½	21/3	5·4
43/7½	34/9¾	3¾ a	Turner & Newall £1	42/-	37/6	37/-	5·8
36/1½	30/4½	15⅝ b	Unilever 5/-	31/9*	31/10½	31/6¾	4·0
9⅝	8¼	13 25b	Unilever NV ....12 fl.	8 7/16	9¼	9⅛	2·7
11/7½	8/3	10 b	United Glass 5/-	11/1½	9/6	9/-	8·3
			MINES				
320/-	238/9	80 a	Anglo-American 10/-	271/3*	290/-	298/9	4·0
21/10½	17/-	...	Charter Cons. 5/-	19/7½	20/3	20/7½	...
101/6	86/6	11¼ a	Consolid. Gold Fields £1	959/*	96/-	96/-	6·3
146/3	130/-	20 b	General Mining £1	136/10½	138/9	140/-	5·0
116/3	103/11½	120 b	Union Corporation 2/6	108/9	109/6	110/6	3·6
153/9	121/3	120 b	Free State Geduld 5/-	128/9*	143/9	149/4½	6·4
138/11½	101/10½	40 b	W. Driefontein 10/-	113/9	129/4½	136/10½	5·5
86/10½	60/-	6¼ a	Western Deep 'A' £1	78/1½	79/10½	84/4½	3·6
236/3	198/9	160 b	Western Holdings ...5/-	213/9*	226/3	233/9	5·9
52/3	38/-	8 17/32 a	Roan Selection Tst. ...£1	40/-	47/-	46/9	9·4h
13/7½	11/3	7½ c	Tanganyika Cons. ...10/-	12/3	12/-	12/-	6·3
63/6	54/3	40 a	Z. Anglo-Amer. 10/-	57/9+	60/-	60/6	14·9h
185/-	142/6	60 a	De Beers Defd. Reg. .5/-	151/11½*	176/3	180/-	4·2
$183	$154	$2·75c	Internat. Nickel ...n.p.v.	$167½	$178½	$176½	2·8
18/10½	14/-	32½ b	London Tin 4/-	16/10½	16/7½	16/7½	9·6
30/6	24/3	14¼ b	RTZ 10/-	28/7½	28/10½	29/11½	6·5
21/6	11/9	15 a	Tronoh 5/-	18/6	14/-	14/-	(n)
			SHIPPING				
44/-	20/-	2 a	Anglo Norness £1	34/3	29/6	29/-	5·2
20/10½	16/9	8	Brit. & Com'wealth 10/-	19/-	20/6	20/6	5·9
17/0¾	13/3	5 c	Cunard £1	15/3¾	14/4½	14/1½	7·1
37/7½	29/3	11 c	Furness Withy £1	30/-	37/6	36/6	6·0
32/6	24/6	7 b	P & O Defd. £1	27/4½	29/6	29/-	6·9
			TEXTILES				
42/3	33/-	7 b	Ashton Bros. £1	39/6	33/-	33/-	7·3
16/7½	12/10½	11½ b	Carrington & Dewh'st 5/-	14/3	14/7½	14/9	5·9
22/9	18/3	16½ b	Courtaulds 5/-	19/-	19/1½	18/6	6·8
66/3	50/-	6 a	West Riding Worsted .£1	54/6	54/-	54/-	6·7
21/10½	16/10½	6¼ b	Woolcombers £1	19/10½	17/10½	16/10½	10·4
12/11¼	10/2¼	6 a	Calico Printers 5/-	10/9¾	11/6¾	11/6¾	(6·9)
44/9	36/4½	8¾ b	Coats, Patons & B. £1	40/9	39/9¾	39/0¾	6·9
12/11¼	9/11¼	9 b	English Sewing Cotton 5/-	10/5¼	11/2¼	11/0¾	6·8
15/3¾	10/9	11½ c	Viyella Int. 5/-	21/-*	11/6	11/3	5·2
			TRUSTS & PROPERTY				
24/3	20/-	10½ b	Alliance Trust 5/-	24/3	22/6	21/6	4·1
54/3	45/7½	37½ b	BET 'A' Defd. 5/-	49/10½	50/7½	50/1½	6·2
18/6	14/9	6¾ a	Cable & Wireless ...5/-	18/6	17/6*	15/10½*	4·3
17/9	13/5¼	10½ b	Philip Hill 5/-	15/6	14/6	14/-	5·7
30/-	25/6	15½ b	Industrial & General .5/-	29/9	29/9	27/9	4·9
29/1½	23/7½	12½ a	City Centre Props. ..5/-	27/7½	24/4½	23/7½	6·4
62/-	47/9	10 b	City Lond. Real Prop. .£1	53/6	60/6	59/6	5·4
18/9	15/-	5¾ b	Land Securities 10/-	15/10½	18/4½	17/9¾	4·4
30/-	23/7½	10 b	Lond. Cnty. Freehld. .10/-	24/9	29/9	28/6	6·4
			TEA & RUBBER				
49/-	40/6	†22½ b	Cons. Tea & Lands ...£1	49/-	47/3	46/9	18·2
25/3	15/-	†3 a	Jokai (Assam) £1	20/9	15/-	15/3	13·4
3/3¾	2/5¼	12½ a	Highlands & Lowlands 2/-	3/0¾	2/6¾	2/6	16·6
3/9	3/1½	25 b	London Asiatic 2/-	3/7½	3/0¾	2/11¼	20·4

NEW YORK PRICES AND INDICES

	Aug. 18 $	Aug. 25 $		Aug. 18 $	Aug. 25 $
Atch. Topeka	32⅝	32⅞	Gen. Electric ...	103	103⅛
Can. Pacific	60½	60	General Foods ..	84¼	83¾
Pennsylvania	47	46⅞	General Motors .	98⅝	98¼
Union Pacific	42⅞	41⅝	Goodyear	50	50¼
Amer. Electric ...	41¼	41⅝	Gulf Oil	55⅞	56⅛
Am. Tel. & Tel. ..	66⅞	67¼	Heinz	41	40⅜
Cons. Edison	44⅛	43¾	Int. Bus. Mach. ...	492¾	499
Int. Tel. & Tel. ...	55⅝	55⅞	Int. Harvester ...	35¾	34⅜
Western Union ..	40⅝	39⅝	Inter. Nickel ...	88*	87⅝
Alcoa	71¼	71¼	Inter. Paper	30¼	29½
Aluminium	27	26	Kennecott	107¾	109½
Amer. Can.	53	54½	Litton Inds.	98½	103⅞
Am. Smelting	55	54¼	Monsanto	84⅜	82
Am. Viscose	89½	88	Nat. Distillers ..	31⅝	30½
Anaconda	63⅛	62½	Pan-American ..	27	29⅞
Beth. Steel	36	36⅝	Procter Gamble .	71¼	70½
Boeing	78¾	81½	Radio Corpn. ...	37	36⅝
Celanese	84½	85¾	Sears Roebuck ..	67⅝	66½
Chrysler	46¾	48¼	Shell Oil	67⅜	66⅝
Col. Palmolive ...	30	29½	Socony-Mobil ...	88¼	86⅝
Crown-Zellar ...	49¼	49	Stand. Oil Ind. ...	47¾	46¾
Distillers Seag. ...	36¼	35⅛	Stand. Oil N.J. ...	75⅞	74⅝
Douglas	46	50⅝	Union-Carbide .	63⅛	61
Dow Chemical ...	68¾	66⅝	U.S. Steel	48¾	49¾
Du Pont	236*	231½	West Electric ...	51⅞	51¾
East Kodak	91⅞	90⅝	Woolworth	28	27⅛
Ford Motor	54¾	52⅞	Xerox	168	168⅞

Standard and Poor's Indices (1941–43=10)

1965	425 Industrials	Yield %	Govt. Bonds	Yield %
July 28	88·99	3·05	87·06	4·17
Aug. 4	90·88	2·99	86·85	4·19
" 11	91·26	2·98	86·75	4·20
" 18	92·23	2·97	86·55	4·22
" 25	92·06	2·98	86·34	4·24

425 Industrials :—High, 95·79 (May 13). Low, 86·43 (June 28).

Money Market Indicators

Interest rates in London tended to harden. Local authorities paid ¼ per cent more for seven money and 1/16 per cent more on deposits at three months' notice. Credit in the discount mar' difficult and there was some borrowing at Bank rate. Three months Euro-dollar rates by 3/16 per cent, but the rate for seven days money eased by ⅛ per cent. A similar contrary move occurred in Euro-sterling. The spot exchange rate for the pound hardened, but the pound again weakened. Covered arbitrage margins moved in New York's favour.

TREASURY BILL TENDERS

Date of Tender	Amount (£ million) Offered	Applied for	91-Day Average Rate of Allotment s. d.	Allotted at Max. Rate* %	Tender Issue Outstanding
1964 91-Day					
Aug. 21	260·0	719·1	93 0 98	45	3,080·0
1965					
April 23	160·0	280·8	127 11 97	28	2,260·0
" 30	160·0	373·8	127 6 00	31	2,260·0
May 7	160·0	371·4	126 2 47	41	2,260·0
" 14	160·0	324·3	125 5·69	13	2,260·0
" 21	190·0	431·5	125 6·98	19	2,260·0
" 28	170·0	293·1	127 3·34	61	2,260·0
June 4	170·0	313·1	112 9·31	48	2,250·0
" 11	170·0	330·9	112 0 99	35	2,240·0
" 18	210·0	410·9	111 9·57	34	2,210·0
" 25	170·0	302·4	110 10 02	50	2,240·0
July 2	170·0	402·8	110 0 66	22	2,230·0
" 9	170·0	310·2	111 9 95	30	2,220·0
" 16	170·0	317·1	112 4·63	21	2,220·0
" 23	180·0	327·3	112 6 87	22	2,230·0
" 30	180·0	332·5	112 7·17	19	2,250·0
Aug. 6	190·0	404·4	112 5 41	31	2,270·0
" 13	250·0	399·9	110 10·69	71	2,300·0
" 20	210·0	354·7	110 7·99	37	2,390·0

* On August 20th tenders for 91-day bills at £98 12s 4d secured 37 per cent, higher tenders being allotted in full. The offer for this week was for £200 million 91-day bills

KEY MONEY AND ARBITRAGE R

London

	%		
Bank rate (from 7%, 3/6/65)	6	**Market di** (3 months)	
Deposit rates		Treasury bills ...	5
7 days' notice:		Bank Bills	5
Clearing banks	4	Fine trade bills .	7–
Discount houses	4		
Local authorities ...	6⅜	**Euro-dollar deposits**	
		7 days' notice ...	3⅞
3 months' fixed		3 months'	4¼
Local authorities ..	6⅜		
Finance houses	7⅛–7¼	**Euro-sterling deposit** (in Paris) :	
Call money :		2 days' notice ..	3⅝
Clearing banks' minimum	4⅜	3 months'	6¾
Day-to-day spread ..	4⅛–5⅜	**Forward rate:**	
US dollar exchange		(*3 months*) ..	1¾
Spot rate	2·79 31/32–1⅛		
Forward cover (*3 months*) :			
Annual interest cost			2½

New York

Treasury bills		**Market paper :**	
August 18	3·81	Bank bills	4
August 25	3·86	Certs of deposit.	4

Covered Arbitrage Margins

	Last week:	In favour of This
Treasury bills	N. York 25/32	N
Prime bank bills	N. York 21/32	N. Yo
Euro-dollar/UK local authority loans	N. York 9/16	N. Yo
Euro-dollars/Euro-sterling ...	N. York ¼	N. Yo

These covered arbitrage margins show the differenti rates on the particular sterling and dollar assets, as ad for the cost of forward exchange cover, shown above.

YOU PROBABLY KNOW
THE MOST PROFITABLE
WAY TO DEAL WITH JAPAN
IS THROUGH A JAPANESE
TRADING COMPANY

We wish we could say "Nichimen," and let it go at that.

But it isn't that simple. Any large trading company can serve you well. They all know good markets for your goods, how to handle your imports, prices, customs.

How do you choose? We suggest you investigate as many as you can.

Including Nichimen.

With 70 branches, 4,500 employees around the world, and an annual volume of nearly £600 million, we are among Japan's largest trading companies. But not so large that we'll ever take your account for granted. No matter what the size of your business, we offer personal, interested service.

Then, whichever product or intangible you'd like to buy or sell here, we've probably had a good deal of experience with it in our seventy-some years. Raw materials, finished goods, investments, overseas construction, import and export technical knowledge—we believe the variety and scope of our interests is unrivalled.

Still, we suggest investigation.

If we can be of any help, please write us. Or phone your local Nichimen representative. You'll find him in almost any phone book.

Nichimen Co., Ltd.

C.P.O. Box 18, Osaka, Japan Cable: "NICHIMEN OSAKA"

London: Nichimen Co., London Branch, Tower Block 4, Hillgate House, Ludgate Hill, London, E.C. 4 Hamburg: Deutsche Nichimen G.m.b.H./Hamburg 36, Grosse Bleichen 12 Duesseldorf: Deutsche Nichimen G.m.b.H./Duesseldorf, Immermannstrasse 13 Brussels: Tradiphar S.A./24 Avnue Marnix, Brussels 5 Paris: Nichimen France S.A./231, Rue Saint Honore, Paris 1er Milano: Nichimen Italia S.p.A./Corso Europa 7, Milano

Antwerp's Grote Markt—just 10 minutes from a new Bank of America Branch.

Man-on-the-spot...in Antwerp. He's just opened our new branch in Belgium. Does your firm have interests there? Or in Nigeria? In Brazil? In India? Wherever you have business, you'll find it's good business to have your banker there, too. **BANK OF AMERICA** can put a man at your service in California, across the U.S.A., and around the world. Next time you need expert banking assistance anywhere, contact Bank of America — first in savings.

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION — San Francisco, Los Angeles / BANK OF AMERICA (INTERNATIONAL) — New York: Amsterdam • Antwerp • Bangkok Beirut • Bombay • Buenos Aires • Caracas • Chicago • Copenhagen • Dusseldorf • Frankfurt / Main • Guam • Guatemala City • Hong Kong • Karachi • Kobe • Kuala Lumpur Lagos • London • Madrid • Managua • Manila • Mexico City • Milan • New York City • Okinawa • Osaka • Panama City • Paris • Rio de Janeiro • Rotterdam • Singapore Sydney • Taipei • Tokyo • Washington, D C • Yokohama • Zurich, BANCA D'AMERICA E D'ITALIA over 80 offices throughout Italy. CORRESPONDENTS WORLD-WIDE CARRY BANK OF AMERICA TRAVELERS CHEQUES — KNOWN AND ACCEPTED THROUGHOUT THE WORLD